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NOMINATION OF RICHARD E. LYNG

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

THE NOMINATION OF RICHARD E. LYNG, OF VIRGINIA, TO BE SECRETARY OF AGRICULTURE

MARCH 4, 1986

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NOMINATION OF HON. RICHARD E. LYNG, SECRETARY-DESIGNATE, U.S. DEPARTMENT OF AGRICULTURE

TUESDAY, MARCH 4, 1986

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., in room 332, Russell Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Dole, Cochran, Boschwitz, Hawkins, Andrews, Wilson, McConnell, Zorinsky, Leahy, Melcher, Pryor, Boren, Dixon, Heflin, and Harkin.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.[1] Senator Zorinsky is on his way, and I know that he would encourage us to proceed. He will be here momentarily. The Chair always likes to have the distinguished Senator from Nebraska here because he is such a good working partner.

Today the committee meets to conduct a hearing as part of our consideration of the nomination of Mrs. Bethy Lyng's husband, Richard E. Lyng, for the position of Secretary of Agriculture.

Now, I'd like for this dear lady to stand up.

Mr. Lyng is a trusted friend who has served the agricultural industry with great distinction as a private businessman, as commissioner of agriculture for the State of California—don't get nervous, Pete, I'm not going to introduce him, I'm going to leave that to you—and various Federal posts, including Deputy Secretary of Agriculture.

Dick, you are known to every member of this committee, and I feel confident that I can speak for the others in saying that you are highly regarded by all of us. The President has made an outstanding choice in nominating you, and I know that you will serve the farmers, ranchers, consumers, and taxpayers—not necessarily in that order—with the same ability and diligence that you have in your previous efforts. I look forward to working closely with you.

Now, Secretary Lyng has the distinction of having a bunch of Senators; he lives in Virginia, he's a native of California—and I sort of flipped the coin back there, and I decided to let the native

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[1] See p. 34 for written question from Senator Helms and Mr. Lyng's answer thereto.

son, Pete Wilson, go first in presenting you; then you will hear from the two distinguished Senators from Virginia who are equally proud of you.

You may proceed, Pete.

STATEMENT OF HON. PETE WILSON, A U.S. SENATOR FROM CALIFORNIA

Senator WILSON. Thank you very much, Mr. Chairman. I think there is sufficient substance in the nominee to spread around among several Senators, and I think, as the Chair has indicated, there is ample reason why we all claim him: Because we are proud both of the man, his character, and the competence he has brought to this job, and the distinguished performance to two prior incarnations within the Department of Agriculture.

If you will, Mr. Chairman, and my colleagues, you might just indulge me—I have the privilege that has never been exercised before in the long history of this distinguished committee: I am the first member of it ever to present for confirmation as Secretary of Agriculture a Californian. It might just interest you to know that the Department of Agriculture was created in 1862 by a Republican President named Lincoln. For its first 27 years it was administered by a Commissioner of Agriculture, the first of whom was Isaac Newton. I always thought Isaac Newton was engaged in other activities.

Senator LEAHY. New Jersey claims everybody. [Laughter.]

Senator WILSON. In 1889, Congress established the position of Secretary during the tenure of Norman Colman of New York.

Through the first 124 years of the history of the Department, it has been led by 6 Commissioners and 21 Secretaries. The State of Illinois has produced the greatest number, 3, including the most recent Secretary, John Block and 7 States—Indiana, Iowa, Massachusetts, Minnesota, New Jersey, New York, and Ohio—have each provided 2 native sons to serve as Secretary and 10 agricultural States have provided one—but never California.

Happily, today, we are rectifying that.

It is also true that no President has ever reached further West than Utah, Idaho, or New Mexico.

So, Mr. Chairman, you will indulge me a little pardonable pride in the fact that Dick Lyng is before the committee.

It is beyond that, Mr. Chairman, a matter of great personal satisfaction, because I go back with the nominee I think perhaps further than any other committee member who has been privileged to know him. Some 20 years ago he began his service to this President when he was then Governor of California. Now he comes before us as the 22d Secretary of Agriculture-designate.

He was born in San Francisco and was raised in Modesto. He grew up in a family that knew and understood and operated in California agriculture; they had a seed and bean production and processing company. After he graduated from college and returned from World War II, he took over that business and ran it for 20 years.

Then, in 1967, in the midst of a very successful business career, he was asked by then Gov. Ronald Reagan to take the role of the

director of the California State Department of Agriculture, and 20 years later President Reagan has, once again, asked him to engage in more significant public service. Of course, during that interval he has done exactly that; he has given this country distinguished public service.

This confirmation hearing is hardly a new experience for Dick Lyng. In 1969, he sat before this committee when President Nixon asked him to serve as Assistant Secretary of Agriculture; then in 1981 the committee again had the pleasure of his company when another administration had the benefit of his expertise, and the Senate confirmed him as the Deputy Secretary under Jack Block.

In both of those critical departmental positions, as Assistant Secretary and as Deputy, he has exhibited in every instance the same high level of skill and effectiveness, because of his willingness to deal openly and aggressively with problems. As a result, he has earned not only the trust but the respect of every member of this committee who has had any dealings with him.

Now he comes to us as candidate for the job of Secretary in a time particularly stressful in the history of American agriculture.

He will tell you in his own statement of the priorities that he has set for American agriculture. The one that I find most exciting is his urgent desire to see to it that U.S. farm exports again become competitive in the world market.

I think he is almost uniquely equipped, but he is clearly superbly equipped, to take on a stressful job and to handle it with the kind of calm, deliberate, but aggressive energy that we have come to know in all the prior experiences that we have had with him.

So, Mr. Chairman, I will conclude. There is much more that could be said, but there are two other distinguished Senators at least who will want to say something, and then the candidate himself has a very exciting, I think, recitation, and I don't want to take more time.

I will, though, at this time, Mr. Chairman, take the honor of moving the nomination of Richard E. Lyng to be Secretary of Agriculture, and recommend not only prompt but favorable action by this committee, so that we can send his nomination to the floor for early action.

Thank you.

The CHAIRMAN. Thank you, Senator Wilson. Now the senior Senator from Virginia, who is the Secretary's senior Senator by adoption—if that comes out right. [Laughter.]

Senator WARNER. We had better stop right there.

The CHAIRMAN.We may tell more than we want to know.

STATEMEMT OF HON. JOHN WARNER, A U.S. SENATOR FROM VIRGINIA

Senator WARNER. I want to say that our distinguished colleague from California has very carefully covered the introduction, and I would like to submit my statement for the record[1] and ask that the Chair and the member indulge me in a short story which I think is appropriate for this occasion.

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[1] See p. 51 for the prepared statement of Senator Warner.

During my first campaign I was in a very heated debate in front of a large group of Virginia farmers, and my opponent waited till this occasion to stand before this group and point his finger at me and said: "There stands a gentleman farmer, a true gentleman farmer."

At first I felt pretty good, but then I began to realize that these fellows were all nodding their heads, and even though I had been engaged at that time in farming for 20 years, I could see I was losing the audience. So I got up, pulled myself up, and I looked out at them, and I said "You know, I have traveled through this State and I have met thousands of farmers, and, you know, I never met one that wasn't a gentleman." And that was the end of it. [Laughter.]

The fellow never raised that point again. But Dick Lyng brings not only a great wealth of knowledge in agriculture, but he is a true gentleman, and in this instance, Mr. Chairman, and members of the committee, the job sought the man, the man did not seek the job. The citizens of this country are fortunate to have him once again in public service.

The CHAIRMAN. Thank you, Senator. Senator Trible.

STATEMENT OF HON. PAUL TRIBLE, A U.S. SENATOR FROM VIRGINIA

Senator TRIBLE. Mr. Chairman, very briefly. It's a pleasure to join my distinguished colleagues and Secretary-designate Lyng. Dick Lyng may well be a Californian by birth; he is a Virginian by choice, and we share the joy of this occasion.

I would note for the record not only are we joined today by Dick's lovely wife, but I would note for the record that his two daughters and four grandchildren reside in Virginia as well, and [to Mr. Lyng] don't correct me if I'm wrong. [Laughter.]

That's close enough for Government work. [Laughter.]

Let me focus on the issue before us very briefly. At a time, Mr. Chairman, when the farm community faces very difficult times, America desperately needs a Secretary of Agriculture who is able, knowledgeable, and compassionate. Dick Lyng is that individual.

Moreover, Dick has a long record of experience and achievement in agribusiness, and my colleagues have set forth that record before us today.

Suffice it to say that in Dick Lyng we have the right mix of experience and achievement, and a demonstrated ability to work with Congress.

I urge this committee to act promptly and positively so he can get on with the important task at hand.

I wish you well.

The CHAIRMAN. Being a temporary part-time resident of Virginia, I mean no deprecation whatsoever, but, Dick, they always refer to Virginia as the mother of Presidents—but the trouble is the dear lady hasn't been in a family way for 150 years. [Laughter.]

Senator Zorinsky? If you will, after Senator Zorinsky finishes his statement, then I want to hear from other Senators as they may come in. There is one public witness who has requested to address

the committee, and we shall be pleased to hear from this witness once the committee has excused the Secretary.

But we want to move along. Would it be agreeable to have maybe a 5-minute time limitation for Senators, and a 10-minute limitation for the public witness? Is that satisfactory?

Senator HARKIN. I beg your pardon, Mr. Chairman.

The CHAIRMAN. Good morning.

Senator HARKIN. Good morning, Mr. Chairman.

The CHAIRMAN. I said a 5-minute limitation on statements from Senators and a 10-minute limit for the one public witness who has requested permission to testify, is that all right?

Senator HARKIN. I do have some questions I want to put to the Secretary.

The CHAIRMAN. This has nothing to do with the questions. Then we will go to the rounds of questions.

Very well, without objection—except for Senator Zorinsky.

STATEMENT OF HON. EDWARD ZORINSKY, A U.S. SENATOR FROM NEBRASKA

Senator ZORINSKY. Well, thank you, Mr. Chairman. I just want to welcome Dick Lyng back again. I look forward to working with you, Dick. I hope that we will be able to modify the current farm bill so that we can stabilize the economy of agriculture. As you are certainly aware, we have many unresolved problems. Again, I look forward to working with you on these problems as we continue to do what we can to help agriculture in this country.

Thank you, Mr. Chairman, I will turn it back over to you.

The CHAIRMAN. Thank you, Senator. Senator Leahy was here next. We will be glad to hear from you, Senator.

Senator LEAHY. In the interests of time I will not make a a lengthy statement. The Secretary knows of my extremely high regard for him. I will ask a few questions later, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Melcher?

Senator MELCHER. Likewise I will just say welcome, Dick; we need a Secretary of Agriculture. That slot down there has been vacated for a few weeks. It's time we filled it. Glad to have you here.

The CHAIRMAN. Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman. I, too, want to welcome Dick Lyng. I first came to Washington here when he was president of the American Meat Institute and had a good relationship with Dick when I chaired the Livestock Subcommittee on the House side, and I have always considered you, Dick, to be a gentleman and to be forthright and frank in your discussions with me in that position. I am glad to see that you have this nomination, and while I will have some questions, they will be of a policy nature, which we discussed last week.

While we may have had disagreements in the past on policy, I have never found Dick Lyng to be disagreeable; always a very agreeable and honorable gentleman. I am delighted to hear that he is going to be the next Secretary of Agriculture.

The CHAIRMAN. Senator Pryor.

Senator PRYOR. Mr. Chairman, thank you. I just would like to say that Mr. Lyng is no stranger to this committee or to its members or to the issues that we face, and I just would like to add my congratulations to you, and conclude by saying: I don't know why you want the job. [Laughter.]

Or why you will take it. But I think our country is very fortunate to have people like you who are willing to do this, and we thank you for it.

The CHAIRMAN. Thank you, Senator. Senator McConnell?

Senator MCCONNELL. Thank you, Mr. Chairman. I, too, think the President has made an outstanding appointment. I have had an opportunity to talk to Dick a couple of times about a particular concern of ours in Kentucky, and that is, of course, tobacco. I think that he has a good understanding of the program, and has a sense of what we need to do in the future to make it work.

So I congratulate you, Dick, on your nomination and look forward to supporting and working with you.[1]

The CHAIRMAN. I want to suggest that when we get to the questions in just a moment, maybe we ought to have a 5-minute time limitation on that with the understanding that we will come back to Senators.

But prior to asking questions, on the assumption that you are going to answer all of them before we ask them, we would like to hear from the distinguished Secretary.

STATEMENT OF HON. RICHARD E. LYNG, SECRETARY-DESIGNATE, U.S. DEPARTMENT OF AGRICULTURE

Mr. LYNG. Thank you, Mr. Chairman, members of the committee. I am honored and privileged to appear before this committee today as President Reagan's nominee to be Secretary of Agriculture.

It has been my pleasure, Mr. Chairman, to appear before this committee as a nominee on two other occasions, once in 1969 to be Assistant Secretary of Agriculture, and again in 1981 to be Deputy Secretary of Agriculture. During the 4 years which followed each of those hearings I had the pleasure of working with the committee and I treasure the memories of many friendly occasions with committee members.

My role today is to respond to your inquiries as best I can. I do not for that reason have a lengthy prepared statement. I would, however, ask that I be permitted to briefly, and in the most general of terms, indicate what I consider to be the most important goals in the years ahead for the Department of Agriculture.

Without any doubt, it seems to me the highest priority, the most essential of goals, is to improve U.S. agricultural exports. The major thrust of the 1985 Food Security Act, the farm bill, is to make U.S. farm exports competitive again in world markets. This committee worked night and day most of last year to complete that legislative mandate. The President signed the bill on December 23. This legislation provides the tools we have needed to counter some of the unfair trade practices and trade barriers which have reduced our farm exports. As Secretary of Agriculture I will be a strong ad-

[1] See p. 50 for the prepared statement of Senator McConnell.

vocate of the use of these authorities. I intend to conduct a hands-on, full-press effort to accomplish this difficult task. It will not be easy. I recognize that, but I will give farm export enhancement my concentrated attention and dedication.

Our long-term trade policy must include a vigorous effort to obtain a greatly improved General Agreement on Tariffs and Trade. What's needed is an agreement to establish some enforceable rules to prevent nations from using their national treasuries to obtain inequitable shares of world markets.

There are, of course, a great many other issues of importance for which the Secretary of Agriculture has responsibility. Among them are food and nutrition programs, natural resource preservation, agricultural research, pest control and eradication, food safety, a host of essential economic, regulatory, statistical, and service functions, and many others.

Of tremendous value is our Food-for-Peace Program, one of the greatest continuing humanitarian programs of all time.

A particularly important farm sector problem right now is the entire area of farm credit, where there are severe survival problems for too many of our farm families. I have concern and compassion for these people and realize that USDA has a particularly significant role in trying to bring solutions wherever possible. Again, this will be a demanding and difficult task.

The full implementation of the 1985 farm bill will help in virtually every one of these problem areas. This must be done quickly and skillfully.

Let me repeat that a major key to a successful farm bill implementation will be to achieve expanding export sales. To accomplish this I pledge as much of my personal attention as is required.

During the month since President Reagan announced his intention to nominate me, I have been gratified to receive a large number of congratulatory messages. But I have also become somewhat concerned that a majority of these messages express condolences as well as congratulations, condolences because of the impossible economic condition of agriculture.

Mr. Chairman and members of the committee, we all know that things have been and continue to be tough for our farmers. But let me say that things are going to get better, they are going to get better just when some people will think it's time to give up.

This Nation has a strong agriculture, the strongest in the world. It will survive and thrive in the years ahead. This is no time for pessimism. It is, rather, a time for hard work and confidence in the days ahead.

Thank you.

The CHAIRMAN. Thank you, Mr. Secretary. A couple of routine, almost pro forma questions—but they are important.

If you are confirmed as Secretary of Agriculture by the Senate, will you faithfully execute the law as passed by Congress, regardless of any prior statement you may have made or biases you may have held?

Mr. LYNG. I will.

The CHAIRMAN. If your nomination is approved by this committee and you are confirmed by the Senate as Secretary of Agriculture, do you promise to respond to requests to appear and testify

before this committee or any other duly constituted committee of the Senate?

Mr. LYNG. I do.

The CHAIRMAN. Thank you very much. Has the clock started?

Let's talk policy just a bit, Mr. Secretary. As someone has said, you have been "around-the-horn"—I've been around it a couple of times, and I have been in the position of finding policy at times inadequate to do the job, which is part of the problem.

Are there any policy tools that you feel that you need as Secretary of Agriculture which you do not now have? That is to say, do you have any legislative recommendations for this committee that would make your job easier or facilitate your trying to help the farmers of this country in the years ahead?

Mr. LYNG. Mr. Chairman, I don't have any specific list today. As you know, we are just engaged in the implementation of the 1985 bill—and I recognize there are some modifications that are currently under consideration in the Congress. However, I think this may be the time for implementation rather than for creativity.

On the other hand, I recognize that in the massive effort that was made last year on the farm legislation, that there may be some need for some reconsideration or clarification. Thus, from time to time I may come to the committee with some requests for added or changed authorities.

The CHAIRMAN. Very well. Let me just suggest to you, sir, that any time that you wish—I believe every member of this committee will agree that we will be ready to meet with you formally or informally to discuss the problems of the American farmer.

One of the problems of the American farmer is the marketplace, the world marketplace, the ability of American farmers to compete in that marketplace.

Are we going to be competitive enough in the years ahead, in your judgment?

Mr. LYNG. Mr. Chairman, if we are going to have the kind of agriculture that I think this Nation believes that we need to have—one in which we produce not only an adequate amount of food for our own citizens but for a large number of people elsewhere in the world—we must be competitive. I think that we can be competitive—not necessarily on every commodity; we will be, as we have been in the past, a major importer of certain kinds of foods and fiber commodities at times.

But we will have to be competitive. I am convinced we can, and convinced we will.

But it will require that we keep our costs down, costs that come from such things as inflation and interest as well as inefficiencies of operation.

There is a possibility that our governments can add costs to our farmers that make us not as competitive as we might be. We have to watch for that.

But given the opportunity to compete on a level playing ground, without subsidies from foreign governments, I think that definitely American farmers can become competitive.

The CHAIRMAN. You mentioned the Food-for-Progress Program in your statement. That is a part of the 1985 farm bill that calls for a

minimum of 75,000 metric tons of section 416 commodities to be used each year for this program.

Now, a recent State Department cable indicates that the administration sees this not merely as a minimum but also as a maximum. Now, there is nothing in the legislative history, I would say to you, and to any other member of the administration who may be listening—there is nothing in the legislative history that would indicate to me that such an interpretation of the law is justified.

Now, will you see to it that the section 416 minimum—and I stress the word "minimum"—in the Food-for-Progress Program is regarded and treated as a minimum and not as a maximum?

Mr. LYNG. I certainly will, consistent with the earlier statement I made in support of the law of the land.

The CHAIRMAN. Forgive me—this is an old bone of contention—I just don't want the State Department running the USDA, and I know that you will prevent that happening.

Well, the idea behind the Food-for-Progress Program is to provide long-term commodity assistance to help those developing countries desiring to adopt more market-oriented agricultural policies. Reports received by us indicate that the administration is concentrating more on shipping commodities than on receiving commitments for specific policy reforms.

As Secretary, will you see to it that countries commit to making real and specific progress toward free enterprise policies before receiving these U.S. commodities?

Mr. LYNG. I would have to look into that, Mr. Chairman. That is an area that I must confess I don't have much expertise or knowledge.

But I am certainly interested in seeing that those reforms be made. Wherever we have some authority, I will take an interest.

The CHAIRMAN. Very well. Senator Zorinsky?

Senator ZORINSKY. Thank you, Mr. Chairman. I would like to submit additional questions for the record that I may not be able to ask in my allotted time and request that the Secretary answer them in writing for the record.[1]

The CHAIRMAN. Without objection, it's so ordered.

Senator ZORINSKY. Thank you, Mr. Chairman. Dick, I have received reports that the direct farm operating funds of the Farmers Home Administration are exhausted, or near depletion, in more than 10 States.

Can you look into this matter and see what can be done by the Department to move swiftly in allocating loan funds to meet the current spring planting needs? Otherwise, we are going to miss an opportunity to save a few farmers that could have been saved.

Mr. LYNG. This, as you know, Senator, has been a problem for each of the last few years, and I presume that it will be a problem again this year. There has been, I understand, a little slower demand for loans this year than had been anticipated, perhaps caused by some of the delays in actually getting the program announcements underway.

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[1] See p. 35 for written questions from Senator Zorinsky and Mr. Lyng's answers thereto.

I will certainly do what is possible to see to it that there are adequate farm operating loans under Farmers Home Administration. However, you have to recognize that there are some major problems there. I think there are some reallocations and changes from reprogramming that can be done. We will do everything we possibly can to see that that is not a serious problem.

Senator ZORINSKY. Thank you. Our FmHA Director indicated that Nebraska might get an early release of the third or fourth quarter allocation from the national office. He was assured by Mr. Clark that they recognize the dilemma and are doing their best in trying to meet the demands that are being placed upon them.

Dick, I also understand that the emergency supplemental appropriations bill for the Commodity Credit Corporation amends the 1985 farm bill so as to eliminate, after the 1986 fiscal year, advance funding of the conservation reserve program through the Corporation and the emergency use of CCC funds for the Federal Crop Insurance Program.

Do you support these changes?

Mr. LYNG. I believe the administration has indicated that they do not support those changes. As I understand it, it was in the House version.

Senator ZORINSKY. Yes; right. I am glad to hear your response. In general how might your policies and priorities differ from those of your predecessor?

Mr. LYNG. Well, I think if there is any difference it will be more in style than in substance. After all, for 4 years I was in the Secretary's Office and had a lot of responsibility. Secretary Block gave me ample opportunity to make my policies or concerns known, so it would be ill-advised for me to say that that was not well done, or suggest that.

I intend to be my own man in the sense that style might be different. But the substance, I think, would be very similar.

Senator ZORINSKY. What actions do you propose to take to reduce the surplus of commodities that we currently have?

Mr. LYNG. Well, as you know, there are only two ways to do that: one is to reduce the production, and the other is to increase demand. The law calls for doing both of those.

There are reductions in acreage that have been announced and that are authorized under the law to try to keep the production somewhat in balance. In addition, the lowering of the loan levels in the basic commodities, combined with more specific programs for export enhancement, are designed to move more commodities into the world markets. A combination of those two actions would be a part of the plan of the Congress and of the administration to reduce our crop surpluses and carryovers. Now, that is not going to be done overnight. But we should begin to make some contributions toward that goal as we move into the 1986 crop and particularly after the 1987 crop.

Senator ZORINSKY. Thank you, Dick. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cochran and then Senator Leahy.

Senator COCHRAN. Thank you, Mr. Chairman. Following up on a question that Senator Zorinsky asked about the availability of funds to make operating loans to farmers for this year's planting season, it has come to my attention that some borrowers were

being confronted with a difficult problem because the Farmers Home Administration is requiring them to demonstrate an ability to cash-flow for 4 years into the future—not just this one crop year, but to be eligible under the regulations that I understand are in force a farmer has to demonstrate that he can operate profitably through 1990.

Given the projections that are being made by the Department of Agriculture for commodity prices in the future, this is nearly impossible for farmers to demonstrate, not just because of the projections for the low commodity prices, but considering accumulated debt and debt service, projection of interest rates in the future—all of that together is going to make ineligible for these loans a lot of farmers who probably could work their way out of debt and still keep their farms and be a part of this great national asset that we have—agriculture.

I worry about that policy and I worry about the roadblocks that are being put in front of many farmers who I am convinced probably do have a chance to work their way out of these problems.

Could you assure us that you are going to, as a matter of first priority, take a look at this situation? We are under the gun. Planting season is upon us in my State, many farmers are trying to decide right now whether to try to do it again, whether to plant or not, whether to go under, whether to liquidate—and it's a tough choice, and I feel really sorry for a lot of them who are caught in this squeeze right now.

It seems to me that the squeeze is being put on them in large measure by these regulations that are making them ineligible. It's not a question of availability of funds. I am told in my State they have operating loan funds, but nobody is eligible for them because of the way the administration is requiring them to demonstrate this cash-flow well out into the future.

Mr. LYNG. Yes, Senator, I pledge to get quickly involved in that issue. I have had some briefings on this, and I was surprised to learn about the 4-year projection requirements.

It does seem logical to me that if a borrower from Farmers Home could not demonstrate from his activities this year any prospect of having enough income to pay back the loan, that there is some justification for not making that loan.

But I will be happy to look into it.

Senator COCHRAN. I appreciate that very much, because I think it does need the attention at the highest levels of the Department, and I am not certain because, given the fact that the Secretary's Office has not been occupied except on an acting basis—and there is some question about who can make these tough decisions—and we really need you there to take a look at it, I think.

There is one other specific problem that I want to bring to your attention—I know you are not going to have many brought to your attention today. But this one is one that I think is as important as the Farmers Home regulation that I just mentioned. And that is whether or not farmers would be permitted to amend the operating plans they are submitting to ASCS now up to about the first of April. There had been put out, in my State, the word that if you didn't have your operating plan approved under the ASCS program regulations by March 1, then you were just out of luck, you weren't

going to be able to participate or sign up in the ASCS commodity programs.

Because of the fact that you have got to be able to describe your financing, you have got to be able to have a complete plan of operation for the year as of that date last Saturday, and because we just had an amended farm bill passed by Congress affecting cross-compliance, that has affected a lot of farmers' decisions and plans about planting this year. It seems to me that they are caught in an impossible situation, having to reveal their plans, have it approved by the ASCS office, and Congress having just decided what the rules are going to be as far as cross-compliance is concerned.

I think that under anybody's interpretation of fairness and equity, that the date of April 1 is going to have to be used rather than March 1 as the date by which these operating plans can be approved by ASCS.

I hope that you can assure us that you will look at that problem immediately and see if that is not something that can be changed by your office.

Mr. LYNG. Well, certainly I pledge to look at it. The question of it being an impossible situation seems to me to be apparent when one notes that the supplemental appropriation legislation, which would permit ASCS to issue deficiency payments, has not yet passed the Congress. The signup has been temporarily delayed for the 1986 farm programs.

I believe the Department has indicated a willingness to look into this situation, but it's virtually an impossible situation for ASCS county offices to provide farmers the kind of advice they need to have for planting the 1986 crop.

Senator COCHRAN. Well, I appreciate your sensitivity to that and your response.

I wish you well.

The CHAIRMAN. Thank you, Senator Cochran. Senator Leahy?

Senator LEAHY. Thank you, Mr. Chairman. Mr. Lyng, I spent the weekend up in Vermont. Among other things, I talked with a lot of farmers, including some who live near the ski slopes.

[Laughter.]

I've talked with several hundred farmers at a couple of meetings. I had breakfast with a few farmers this morning in Vermont. We have a number of questions on dairy—and when you and I met earlier, we discussed this. It is my understanding that the regulations concerning the whole-herd buyout program have still not been published, and yet dairy farmers in Vermont and other States are required to sign up by Friday of this week on the whole-herd buyout.

If we worked to speed up your confirmation this week, can you break up whatever bureaucratic logjam is in USDA and get those regulations out? Farmers need to know just what it is they are signing up for.

Mr. LYNG. I will pledge to be as timely as I can.

Senator LEAHY. So will we—without in any way trying to step on the prerogatives of the chairman in that regard.

This is a matter of great concern because, as you can imagine, this program participation decision is a momentous decision for a number of farmers. Vermont dairy farmers have come to me and to Congressman Jeffords to ask us what will be in the regulations.

We really can't answer them. I am sure that it's happening in other States.

I have, Mr. Chairman, a number of specific and rather technical questions that I will submit for the record, if that is all right.[1]

After our conversation the other day, do you have any advice that you would give to dairy farmers, Mr. Secretary? What would you suggest to them?

Mr. LYNG. Well, in agriculture we have had tremendous change, and much of it technological, and in no place is it moving any faster than it is in the matter of bovines. The dairy industry is becoming more productive all the time.

The increased productivity is going to make it very difficult for everyone to continue to milk cows that are currently in production because, as you look ahead, as you and I discussed, we will probably only need about 7 million cows by the turn of the century compared to the 11 million we need today—even with an increase in consumption.

So how do you adjust to that? Dairymen are going to continue to find that to be a difficult matter.

There is a National Commission on Dairy Policy called for in the 1985 legislation to look ahead at these matters. I think there is some real justification in the Government trying to point out to dairymen what the possible situation may be so they can make their own adjustments.

Senator LEAHY. Thank you. One other question: The new farm bill that you mentioned includes a provision in title 14 specifically authorizing research on alternative farming techniques, such as organic farming.

Do you favor that kind of research? Would you request funding under the Agricultural Productivity Act for fiscal year 1987?

Mr. LYNG. Well, I would certainly, as I have assured the chairman, follow the law. There are a number of research projects, as I recall, at USDA that would qualify under the broad concept of "organic." The words "organic farming" has a number of definitions, and I would have to study exactly what this encompasses.

Senator LEAHY. Might I ask, Mr. Secretary, if you might be willing to have a couple of people from your Office meet with me as you are preparing the upcoming research budget. We have gone back and forth over the years with legislation along this line. Implementation of organic farming programs gets bogged down in the definition.

I would ask, before you commit one way or the other about what you might do, could you have some of the folks from your Office who are going to be working on organic farming come and meet with me? I would like to see if we can reach a definition that would be acceptable to everybody.

Mr. LYNG. I'd be happy to accommodate your request.

Senator LEAHY. Thank you, Mr. Lyng. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. Senator Hawkins and then Senator Melcher.

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[1] See p. 40 for written question from Senator Leahy and Mr. Lyng's answer thereto.

Senator HAWKINS. I certainly do support this nomination and urge the committee's swift approval. We need a Secretary of Agriculture, and I enjoyed working with you before and I am sure we will work together well in the future.

We have many problems in agriculture, and you are better qualified to discuss them than anybody in the United States today, and I am looking forward to your being able to counsel President Reagan on the problems we have.

I believe that the No. 1 problem is agriculture debt adjustment. If this Nation can reschedule Mexico's debt, reschedule Brazil's debt, bail out Chrysler, shore up Continental Illinois, and save New York City, we can certainly move to ease the transition that is underway in U.S. agriculture.

I would feel comfortable if you could cooperate with this Senator, who is chairman of the Farm Credit Subcommittee, in calling on the Secretary of the Treasury and the lending institution regulator to cooperate in encouraging commercial lending institutions to participate in the interest rate reduction program provided for in the Food Security Act. I think it's important that we do that as soon as possible.

I feel that it would be very helpful if you would work with Secretary of Labor, Bill Brock, to coordinate existing Federal job training resources. We just left a Labor Committee hearing, and it's very important, I believe, to use the skills and the new information that we have in the Department of Labor to retrain young farmers that have a bright future in the United States, and we have the facilities available, but, among all the many other things you have to do, I believe that farm families that face the loss of their farms would be helped by these existing training programs. I don't believe we can afford to wait.

Do you know of any efforts that have been undertaken by the Department of Agriculture to assist FmHA borrowers in areas other than debt servicing?

Mr. LYNG. Well, over the years Farmers Home has had some rather broad responsibility for farm ownership and farm operating loans as well as guaranteed loans.

Senator HAWKINS. Does the Department have a program in which FmHA borrowers have their debt serviced or collected by a private collector?

Mr. LYNG. I believe they have provided advice to farmers in pilot project programs. Some of those programs were being instituted when I left the Department. I cannot report to you in detail on them, but I would be happy to try to get that information to you, Senator.

Senator HAWKINS. Would you be willing to look into the possibility of contracting out some of this servicing to the private sector?

Mr. LYNG. I think that to whatever extent we can privatize those functions it would be worthwhile, provided it didn't add cost to the program or didn't have an unfavorable cost-benefit ratio.

Senator HAWKINS. It would probably save you money, when I look at what it costs the Department to do that.

You and I have discussed privately the problem of citrus canker that broke out in Florida last year, and it does pose a significant threat to our industry. We are currently trying to work out an

agreement where the State and Federal Governments can continue the eradication program, but before we can commit additional funds, we need to know what steps the State is going to take to address the problem.

My figures show that the Federal Government does owe approximately $14 million for property that has been destroyed by APHIS and the State in carrying out the eradication program.

For the record, could you tell me what your view of the situation is? Are you willing to help get this money out of the Department?

Mr. LYNG. Well, everyone that I have talked to about that since my meeting with you indicate clearly that the Department has a commitment that has been unfulfilled because of a lack of funds.

I think there has to be some way to fulfill that commitment.

The whole issue, Senator, brings to mind a bigger problem, and that is the Federal Government's ability to meet these crises of pest or disease control. And I think we are going to have to somehow achieve better solutions.

There are several other similar problems occurring in the United States. Citrus canker, the problem you are specifically referring to, goes back a bit into the history of actions last year. But what about next year? That we haven't settled.

Senator HAWKINS. One year at a time, Mr. Secretary. I look forward to working with you on a solution.

I have a statement, Mr. Chairman, that I will submit for the record.[1]

The CHAIRMAN. Senator Melcher?

Senator MELCHER. Thank you, Mr. Chairman. Secretary-designate Lyng, this is the first business meeting this committee has had this year, so we are not very fast here. But can you enlighten me on why the administration was so slow in getting your papers up here so this committee could act?

Mr. LYNG. I don't know, Senator; I simply have no information about that.

Senator MELCHER. We have before us a rather far-reaching proposal for modifications to the recently passed farm bill. The great portion of that proposed bill, which, by the way, hasn't had any hearings or discussion in this committee, but, nevertheless, it's pending on the floor—and a great portion of that bill would cut back on export enhancement capabilities of the Secretary.

Have you reviewed that?

Mr. LYNG. I've had briefings on it, but it's changed a number of times.

Senator MELCHER. By whom?

Mr. LYNG. By people at the Department of Agriculture.

Senator MELCHER. By the Department.

Mr. LYNG. Yes.

Senator MELCHER. You are right, it certainly has changed a number of times. It changed three times between Thursday and Friday, and it may have changed six times between Friday and today, Tuesday.

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[1] See. p. 49 for the prepared statement of Senator Hawkins.

But nevertheless, during the changes that I have seen, the cutbacks on export enhancement remain there.

What do you think about that?

Mr. LYNG. It's my understanding that the package they are trying to put together is one that will not increase the costs of the farm programs, and one way to accomplish that is to reduce the mandatory portion of the export enhancement.

The numbers that I have heard would indicate to me that there would be an adequate amount in export enhancement, particularly considering the fact that we are going to be lowering the loan rate values, and it may not be as necessary.

It is my understanding that when the export enhancement provisions were put into the act they didn't fully contemplate what sharp reductions would take place in the loan values. With the loan values going where they are, we should be able to achieve an export enhancement without spending much money as the bill called for, and therefore make this balancing package worthwhile.

Senator MELCHER. The targeted export enhancement program—that's one of two programs which are reduced—seems to be needed, does it not? It would be utilized when it's clear that the Common Market or some other group is subsidizing exports.

Mr. LYNG. That's $300-plus million.

Senator MELCHER. Yes; $375 million.

Mr. LYNG. Yes; I can't comment on that; I am not familiar with it.

Senator MELCHER. I understand the European Community is changing, for instance, some sales that we have been making of sorghum and corn to Spain. With Spain in the Community, they are saying don't buy from the United States—they are blocking them from buying from the United States, just the deal with the Community on subsidized, highly subsidized——

Mr. LYNG. That, of course, is a different problem which relates to the accession of the Iberian Peninsula into the European Community—Spain and Portugal. There are some GATT rules which the United States feels strongly are being violated with the position taken by the European Community. It is going to cause some real problems for some of our exports in those markets.

Senator MELCHER. I will follow up on this point in my second round, because others are waiting for their first round.

Senator COCHRAN [presiding]. I am advised that the chairman was recognizing Senators in the order in which they came to the hearing. If no one has any objection to that, then we will recognize Senator Harkin.

Senator HARKIN. I would be glad to defer to senior members, Mr. Chairman, if you would like to do that.

Senator COCHRAN. Senator Boren?

Senator BOREN. Well, Senator Pryor, I think, is even—he is our senior member, so I would defer to Senator Pryor.

Senator PRYOR. Well, you have not had a chance to give your condolences to Mr. Lyng, so why don't you go ahead and make your statement or ask questions.

Senator BOREN. Mr. Chairman, in the interest of proceeding, I will go ahead.

Let me first congratulate Mr. Lyng on his appointment. I think all of us around this table have great confidence in his ability and in his knowledge of this program, and we are pleased to see that kind of ability in the Office of the Secretary of Agriculture.

We were just discussing in the last line of questioning the Export Enhancement Program, and also the problems that we are having in terms of GATT and the need to get some changes in the next GATT negotiations to open our agricultural markets and to stop unfair trade practices. One of our strongest friends and allies, as strong as any ally we have in the world, of course, is Australia, which has similar economic problems to what we have in the agricultural sector.

I first would ask if you plan to try to work cooperatively with the Australians in terms of working out a joint effort in the GATT negotiations to try to have a common front there, because they seem to have some of the very same interests that we have in pursuing changes in the GATT that would benefit both nations.

Mr. LYNG. Yes, Senator, I think that in the past we have found Australia to be very cooperative with us on GATT negotiations, because they are a major exporting nation. They would very much want to have rules, as we would, which would prevent what we term the unfair subsidization of agricultural exports.

It would be easy for me to cooperate with the Australians. I have a warm spot in my heart for that country; 44 years ago, as a private in the U.S. Army, I was in the first expeditionary force to land in Australia. I've been back there as an Assistant Secretary of Agriculture, and then I went back as a consultant and spent 6 weeks there in 1980. So I find it easy to cooperate with the Australians.

Senator BOREN. Well, I appreciate that answer, and I assume also that that would extend to their finding an open door at your Office to discuss with you the problems that they might have as we work on the Export Enhancement Program. Again, we are targeting unfair practices by other nations. The Australians are worried that they might be hit, even though they weren't the target, unduly. We all understand that we are going to have to play a firmer role to get some of the actions that we need to bring about fair trade practices all the way around.

I would assume from your comment that in implementing the EEP the Australians would at least find an open door at your Office and the opportunity to discuss the way this program impacted them as we go along with it.

Mr. LYNG. Very definitely. But I think they understand that in our efforts to regain world markets for our products by lowering loan rates and by encouraging people to buy our products, that we will have a very strong competitive influence on their prices. I know they are also concerned about that.

Senator BOREN. I appreciate your comment that there will be an open door, because we all hope that this aggressiveness on our part will result in higher levels of income for our farmers and for others, including those in Australia, as we move along, because we have been certainly unfairly treated by the European Community, as has just been said by Senator Melcher—and even a very recent

example here—and we are going to have to let them know that we mean business.

To turn to another subject, we are still experiencing, as Senator Hawkins has said, severe problems particularly in the credit sector and the inability of the system to respond to reevaluation of land values. We have a desperate situation in my State. We are still having more foreclosures than we should be having—and this is further eroding the value of land.

The administration has announced the Interest Buy-Down Program of $490 million in which there would be a shared interest rate buydown between the Government and the private sector of up to 4 percent. That would certainly help a lot of these loans to be reworked and to survive.

Are we being successful in getting that money out in this first year? How much will we be able to get out, and do we need any additional personnel in order to be able to get out that money? The demand is certainly there, but I keep hearing that, administratively, we are not getting this program out to the financial institutions and the farmers where this help is needed.

Mr. LYNG. I am sorry, Senator, I cannot specifically report on that program as it was only recently announced within the last 2 or 3 weeks. But I will be happy to provide an updated report and give it to you.

Senator BOREN. Mr. Chairman, I appreciate those comments, and let me just say that I will submit some other questions for the record.[1] I would hope that we would get the money out for the Interest Rate Buy-Down Program, and also implementing our 60-day turnaround period on action on loan requests—this is, of course, the desperate thing: the farmer is caught there not knowing if the answer is yes or no. We had worked with the administration to implement a 60-day turnaround regulation where they would let the farmer and proposed lender know whether the loan or loan guarantee was approved.

I would just encourage you to use all the powers of your Office to continue to push that program to make sure that it gets implemented in a timely fashion.

Mr. LYNG. We'll do it.

Senator BOREN. Thank you very much, Mr. Chairman.

Senator COCHRAN. Senator Pryor?

Senator PRYOR. Thank you, Mr. Chairman. Mr. Secretary, I think a lot of farmers, and I know a lot of Senators from farm States, would like to have your best thinking on where in the next round of cuts under Gramm-Rudman, where you would put the priorities of agriculture, agricultural programs—and I understand that this may take, in fact, a lengthy answer for you now to begin prioritizing these programs and these expenditures.

Therefore I would at this time like to request that maybe you follow along with a statement that we might read and disperse to our farmers in the next several weeks, if that would be possible, because you, as Secretary, will have a great impact as to what gets funded and what gets cut and what gets cut significantly.

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[1] See p. 45 for written questions from Senator Boren and Mr. Lyng's answers thereto.

For example, I read over the weekend the story about the Meat Inspection Program. The inference that I drew from that was that 9 days of furlough for the Meat Inspection Program equates to the chances being increased for us having contaminated meat. I don't think that's the purpose of Gramm-Rudman, and I am hoping that the implementation of Gramm-Rudman in programs like these—that you do not come forward with that final conclusion.

Now, would you comment on that now or would you like ultimately to write an answer?

Mr. LYNG. You are correct; it's a very complex subject. The cut that you are referring to in meat inspection has to do with the 4.3-percent reduction that was called for in the Gramm-Rudman-Hollings legislation on an across-the-board basis with certain exceptions. In the Department of Agriculture the cuts were much larger proportionately because there were fewer actual exceptions.

The problem in meat inspection and some other programs where the operation is largely that of personnel can be very severe. You have to accomplish that by cutting the number of hours or days worked.

There will be no risk or hazard from the health standpoint—that I am sure of. But there is an effort being made to see if there can be some shifting of funds so that that won't be quite as Draconian as it appears.

Regarding your other question, I would be hopeful that there would not be a need for another sequestering under Gramm-Rudman. It would be very difficult for the Department of Agriculture, regarding funding of the commodity programs under the farm bill. If for some reason we were unable to achieve the President's budget or a budget acceptable to the President and the Congress, then a sequestering could make a very major cut in the farm programs and that would have a major impact upon farmers' incomes.

Senator PRYOR. Well, I'd just like to suggest that rather than looking at meat inspectors, which are very critical and involve the safety of our country and our people, that we might look at clerical help before you go into cutting off inspectors in this very vital program.

The second area, Mr. Secretary—and, once again, if it's possible to provide us with some sort of short dissertation on where you see the priorities unfolding in USDA expenditures and programs, I would appreciate that and I think my colleagues would.

Mr. LYNG. I will.

Senator PRYOR. Thank you, sir. The second issue I'd like to raise—it's my understanding that the French have now filed an objection in the next round of multinational trade negotiations—they have filed an objection, I understand, to putting agriculture trade issues on the agenda.

Now, is this right, do we know this for a fact? And, if so, how do we plan to argue against this objection and try to overrule that objection so that argriculture can definitely be a matter on the agenda?

Mr. LYNG. At the moment, I am not able to speak knowledgeably about the French on this subject. It has always been a problem in the GATT negotiations to get agriculture treated equally with other industries and commodities.

Senator PRYOR. There's a reason for that, and I think we all know that.

Mr. LYNG. I have discussed this with Ambassador Clayton Yeutter, who is working diligently on these matters, and we are determined that agriculture will not take a second place in the GATT negotiations.

I think that the 1985 farm bill, with the impacts in reducing the loan levels and thereby reducing the world prices of most of these commodities, is going to be beneficial in bringing these people to the bargaining table.

In the past the United States has kept the world price high through our Support Price Program and we have made too much of the adjustment in production. The Europeans, particularly the French, have benefited from not setting up the kind of rules that we need.

Senator PRYOR. I think Thailand, Mr. Chairman, is subjected, for example, to the rice provisions in the 1985 bill, which indicates to me that we might have a pretty good section on rice. We'll just see how that works out.

Thank you, Mr. Chairman.

The CHAIRMAN. Now, let's see, we go to the other side—Senator Andrews and then Senator Heflin and then Senator Harkin.

Senator ANDREWS. Thank you, Mr. Chairman. Mr. Secretary-designate, good to have you here. I am glad they finally got your name up here and I hope that we can get this confirmation through as swiftly as we possibly can, because if that Department needs anything, it needs somebody at its helm making the decisions at this particularly critical time.

A lot of those decisions, of course, have to do with the program signup that is about to go forward, and the technical corrections that we are trying to make to the farm bill, and, of course, the need at spring planting for adequate funding for our farmers to put that crop in the ground.

I think I know where you are coming from on a number of these things. But one of the things that bothers us is the fact that that farmer out in rural America who is qualified for a Farmers Home loan—I am not talking about the ones you've got to make special provisions for—but the one who is qualified for an operating loan, are you going to do everything you can to see that that money is available so that, if qualified, he can get that loan?

Mr. LYNG. I certainly am.

Senator ANDREWS. You understand the problem that we've got.

Mr. LYNG. I do. But there's a limit to the total amount of money available, and I believe the Department has allocated it by States and on a quarterly basis but there is a need in some cases to reprogram some of those funds.

Senator ANDREWS. But you are going to do everything you can so that the farmer who is qualified, who has met the need of the local Farmers Home committee, met the State figure, will be able to know that he can get that loan?

Mr. LYNG. I will certainly make every effort to do that. If we totally run out of money, then I suspect we can't take care of all of those people.

But I don't believe we are at that stage at this point.

Senator ANDREWS. You think there is enough to start. Now, we on the Appropriations Committee, and Senator Cochran who was just visiting with you, have, we think, provided adequate funds to meet the needs of those farmers who are indeed, and in fact, qualified. The problem we also have is the rumor that was going around 2 or 3 months ago, expressed by a relatively high official in the Department of Agriculture, that said no new farmers would be given Farmers Home loans. That boggles the imagination in rural America because if the bank examiners come in and classify loans, the next place to go is to Farmers Home, and they have to have that outlet or they are just shut down.

Mr. LYNG. I don't see how anyone could indicate that you would have to be a previous borrower to be qualified.

Senator ANDREWS. In other words, if a farmer is qualified for a Farmers Home loan, you will do everything you can to see that he gets that loan.

Mr. LYNG. Very definitely.

Senator ANDREWS. Another question along the line of interpreting this farm bill we have put together—and there have been a lot of differences of opinion about it. One is on the farm program proven yields. The farmers felt that this was nailing those yields down to a 5-year period, a date certain, so the budget people would know that these yields weren't going to creep up over the next 2 to 3 years and add to the cost.

Right now they are finding that what it did in some cases is lower their yields by 10 to 15 percent from last year. We are beginning to put together a bill that will correct that. The chairman of this committee has been working with a number of us on that particular fix and a number of others.

Will you, as Secretary of Agriculture support, that in essence, freezing of yield figures to what they were last year, if the Congress puts together that kind of a bill?

Mr. LYNG. I must be a bit hesitant, because people from the administration and the Department of Agriculture have been meeting with the leadership and members of the committee and others, and I don't want to interfere with current negotiations.

But you and I have talked about this, and I think what you are suggesting, as I understand it, is part of a package that should be acceptable though it adds some costs.

Senator ANDREWS. It does add some cost.

Mr. LYNG. There are some other areas where modifications are being made that it would be acceptable to the administration.

Senator ANDREWS. And it facilitates understanding by that operating farmer. What we do is take some money from the PIK side of export enhancement and transfer it to making whole again these proven yields that are so bothersome to farm families now, and that is the concept that you and I talked about.

Mr. LYNG. Action certainly needs to be taken, because, as you say, these farmers are waiting to sign up, and the Department needs to be able to provide the necessary information to farmers.

Senator ANDREWS. Now you are on my side, Mr. Secretary—I am going to start calling you Mr. Secretary right now.

But one final question that we have—and our majority leader is here now, and he has been working with putting together this con-

cept of adjustments to that farm bill. When you are confirmed, you will do everything you can to lend every effort within the Department of Agriculture to interpret that farm bill as swiftly and as completely as possible so those farmers who have to make those planning decisions this spring are going to have that information instead of being put in a position where they say, well, the Department hasn't gotten around to that.

Mr. LYNG. Yes; I will. But, in fairness, the legislation that was passed is massive and very comprehensive. I think the Department personnel have labored under extreme difficulties.

Senator ANDREWS. That's right, it's a difficult thing, and interpretation or misinterpretation is the key to anything that is 1,220 sections long. But we appreciate your thoughts and we are looking forward to working with you.

Mr. LYNG. I gave my answer the way I did because I don't want to go down there with those people thinking that I have been critical of them at a time when I need them so badly.

Senator ANDREWS. No way, but I hope when you get down there you, shall we say, kick 'em around just a little bit to get a little bit greater speed and a little better understanding than they have been showing in the last few months.

And you didn't say that, I said it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. Now, Senator Heflin and Senator Harkin.

Let me ask the majority leader, are you under time constraints?

Senator DOLE. No; I'm hiding. [Laughter.]

Senator ANDREWS. A good place to hide.

The CHAIRMAN. Not very well with that red eye looking at you.

All right, Senator Heflin, Senator Harkin, and the distinguished majority leader.

Senator HEFLIN. Mr. Lyng, I made a speech to an agricultural group recently and told them that it's been a long time since we had a great Secretary of Agriculture—we had had some good Secretaries. I really think from the viewpoint of your background and experience seldom has a person gone who will be going into Office with as much knowledge of agriculture and the inner workings of the Department and programs as you have.

So you really have an opportunity, I think, from your background and knowledge of agriculture that we haven't seen on the American scene in many years. It's largely, I suppose, how you carry out the duties of your Office as to whether you will be concluded to be a great Secretary or a good Secretary or a mediocre Secretary—or a sorry Secretary. [Laughter.]

I would make a suggestion that your first purchase order be a back brace, a megaphone, and a pair of steel-toed boots. The back brace I think you need to order to strengthen your backbone in dealing with OMB, Jim Baker, George Shultz in the State Department, and Donald Regan in the White House. You need a megaphone, of course, to have your voice heard for agriculture—and agriculture's voice needs to be heard. And, of course, I think it's rather obvious that a pair of steel-toed boots is needed to kick some of the bureaucrats in the seat of the pants down there and get them moving in the Department of Agriculture.

But with those statements, let me ask you a little bit—I'm worried about some overall policies pertaining to Gramm-Rudman and their application, as the Department of Agriculture may endeavor to use them on certain programs. There are programs that cost very little money and it appears that there is going to be some uniform use of Gramm-Rudman that would severely cut some of those programs and would perhaps never end up saving any money.

I speak primarily in the loan area. The loans, of course, as we know, involve a payout and a payback, and therefore, I ask the question, will there be savings and deficit cutting? We are looking at a 5-year plan under Gramm-Rudman, and we may start out by establishing a precedent that may, in the long run, be very foolish.

I just looked and made some calculations on soybeans, for example, which basically has not been an expensive program. The loan rate of $5.02 now has under the law, will be subject to a 4.3 sequestering, and that reduces that, if that loan rate were to be cut to the farmer, for the first year to $4.81; then if the figures we hear bandied around, the next year the sequestering might be 30 percent, and that could result in lowering the loan rate to $3.36; the next year, in 1988, if it is lowered to 20 percent, could mean that it would be lowering the loan rate to where it would be $2.68; in 1989, the fourth year, if you had a 20-percent cut, it would be down to $2.14.

Looking at cotton, on the other hand, here you have where it says that it shall not be lower than 55 cents, that if it is cut under Gramm-Rudman 4.3, it drops to slightly under 52; and then in the next year, if it is at 30 percent, it would drop it to 38; and the next year you would be dropping it down by 20 percent to where it would be 24.4; and then the next year down to 19.5, which would in effect abolish the loan programs as we know them. This would be, in my judgment, disastrous to the farmers, because the lowering of loan rates means legislating lower prices to the farmer.

I think the concept, particularly in the loan rate, needs to be looked at; I don't think it can result in the savings. OMB is, in effect, decreeing certain aspects to you, to the Department.

But it seems to me that we ought to be looking at how we can save money realistically, without destroying some programs.

Now, I just have some fears that the sequestering under Gramm-Rudman that could take place under this could be very serious in the long run, and end up not saving any substantial amount of money.

Do you have any comments relative to that?

Mr. LYNG. Well, I agree, Senator, with your analysis, that the sequestering under Gramm-Rudman, if it came about, would be disastrous to the farm programs. It would be a significant reduction in the farm programs which would be mandated by a sequestering across the board. So I think that should be avoided at all costs. There are ways to avoid it.

Senator HEFLIN. I can see it, but I would like for you to direct some attention, though, to the fact of whether or not under the loan itself you can have any real savings, and if the disastrous effect of following through a precedent that is established—I think this ought to be carefully looked at. And I implore you to look at this the first thing.

Mr. LYNG. I will do so.

Senator HEFLIN. I suppose my time is up.

The CHAIRMAN. Yes, sir. Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman. Mr. Lyng, I have some specific questions which I may ask in the second round, but, first of all, I would like to get some idea of the philosophical direction you are going to be taking in the Department of Agriculture.

Let me just ask, first of all, Mr. Lyng, are there too many farmers in America?

Mr. LYNG. No; I don't think there are too many.

Senator HARKIN. You don't think there are too many farmers. Are there too few farmers?

Mr. LYNG. I don't think there is any way you can make a judgment as to whether there are too few or too—I couldn't make a judgment on that.

Senator HARKIN. Well, you said that there aren't too many. So you feel very strongly that there aren't too many.

Mr. LYNG. Yes; I don't think there are too many farmers. As you know, a farmer, under the definition, only has to have a gross income of a $1,000, and it may be difficult for all the farmers to continue in the United States. But to suggest that there are too many farmers neglects some of the many factors that are happening.

Senator HARKIN. But there are many economists who say there are too many farmers—forthrightly say there are too many farmers.

Mr. LYNG. They would have to qualify that fairly carefully before I would accept it.

Senator HARKIN. Let me ask you—the American Bankers Association estimated that we would lose at least 100,000 farmers in America this year.

Is that an acceptable figure to you?

Mr. LYNG. I doubt if that's true.

Senator HARKIN. I'm saying: Is that an acceptable figure to you?

Mr. LYNG. It seems very, very high to me. As a matter of fact, I think that is not likely at all.

Senator HARKIN. Well, in Iowa I can tell you right now that about one-third of our farmers are in severe difficulty. Probably one-fifth, that is, upward of maybe 20 percent are on the verge of bankruptcy in the State of Iowa. It is estimated that perhaps as many as 10 percent of the farmers in Iowa—and we are looking at somewhere between maybe 20,000 and 30,000 farmers—may not make it beyond the next winter.

Is that acceptable to you?

Mr. LYNG. I'd hate to think that that number would be accurate. I just doubt that it is.

Senator HARKIN. I'm just trying to get a feel for whether or not you believe the Department of Agriculture and the Federal Government can play a role in limiting or slowing down somewhat this exodus we have off of the farms in Iowa and throughout the Midwest this year and probably going on to next year. Is there a role for the Federal Government to play in that, or should the Department of Agriculture just simply stand by and let happen what will happen?

Mr. LYNG. I think it should be clear that there is a major role. We are going to spend, just on farm programs alone, over $20 billion in this fiscal year. As soon as this signup can continue and we have a supplemental appropriation, billions of dollars will be flowing to farmers in program payments, particularly in Iowa because of the large amount of corn production. We will see the role of the Government in expanding exports, in the macroeconomic issues the Gramm-Rudman-Hollings legislation, which we hear a lot of concern about which has gone into effect. Interest rates have come down, and that is a major factor, as you know, in terms of costs to farmers in Iowa.

So, yes, there is a major role for the Government.

Senator HARKIN. I guess that brings up another question, then. The average Iowa corn farmer this year, this crop year, will receive about 50 percent of his income—50 percent of his income—from a Government paycheck from the taxpayers of this country through deficiency payments and otherwise—one-half of their income coming from a Government paycheck.

Is that a proper path to take for this country?

Mr. LYNG. I don't think so.

Senator HARKIN. I don't think so either. I'm glad to hear you say that.

Mr. LYNG. In a transition period, which I think we are in, where we have had tremendous problems imposed upon farmers—the sharp reduction of inflation, the strengthening of the dollar, the world economy, and a host of other things that come together. I think as we go through this adjustment period where we are trying to get back our world markets, the programs we now have of lowering the loan rates so that we are more competitive in world markets, while making up farm-income loss through large deficiency payments, is an appropriate solution now.

But in the long term I would hope to see that those target prices gradually diminish and the role of the Government becomes less involved.

Senator HARKIN. But under the present program, as it now is envisioned, according to every reliable study I have seen, we are going to lose a lot of farmers in this country. You may disagree with the American Bankers Association, but we are going to lose a lot of farmers.

So what we will wind up then is we will wind up during this transition period with many fewer farmers, larger landowners, fewer small communities, fewer small businesses, throughout Iowa, throughout the Midwest and other parts of this country.

I am saying: Is that an acceptable goal for us? Is that acceptable?

Mr. LYNG. No; I don't think that should be a goal. I think that there is some exaggeration of what is likely to take place. I think that our goal is to try to improve our exports, to achieve favorable macroeconomic conditions that will help provide for a healthy agriculture. I think that if we do that, the numbers of people who find it attractive to continue to be farmers will stabilize.

The CHAIRMAN. Senator Dole?

Senator DOLE. Well, first, I wanted to be here to indicate my support for this nomination. I think we are fortunate not only on the committee but in the Farm Belt to have you express a willingness

to come back into Government service. You won't win many popularity contests being Secretary of Agriculture—it's a very difficult job—and, as Senator Harkin just indicated, and I am certain others have, we are in a period of transition—it's tough. We need somebody with experience, and that is why we are so pleased that you agreed to come back into Government service.

One area that we are really concerned about on this committee is exports. There are a number of tools to promote exports in the farm bill that was passed and as you indicated, it is a massive piece of legislation. I think Senator Helms weighed it and it weighed 13 pounds. We are finding a few mistakes that ought to be corrected and we hope we can correct those this week.

It would make all of us on the committee feel a lot better, both Republicans and Democrats, if we had your personal assurance that you are going to become directly involved in sort of a hands-on role in beefing up our export policies and being more aggressive, because that would, I think, indicate to all of us that there is some hope as far as a more agressive export policy is concerned.

Do you have any plans yet or have you thought about that?

Mr. LYNG. Yes, in my statement I said that I intended to conduct a hands-on full-press effort to accomplish this difficult task of increasing export sales.

Senator DOLE. I think it's very important because we talk about the farmers' future being in the export markets. We have export enhancement programs with broad bipartisan support—and, again, without faulting anyone, nothing seems to happen.

Then we get around to mandating, which I don't believe is very good policy, that we spend so much money or do certain things.

But I think it shows the frustration of the committee members; they don't know how else to make it work, so you end up with some mandatory program.

As you also know, we've got a little package of corrections or flatout changes, in the farm bill we passed December on the Senate floor now. We've got Members on both sides who want parts of the package; we've got other Members who are not quite as excited about parts of the package.

And sort of in the background we have the CCC appropriations bill, with other Members saying we are not going to pass that bill until we pass the other small package. It's not your headache yet, but it could be if this extends into next week.

I understand the signup has been delayed for cotton, rice, wheat, feedgrains, until Thursday because of lack of money.

It might be helpful if we could get together on this little package in the House and Senate side in a bipartisan way, and it might be helpful if we delay that signup another week or a few days so that farmers would fully understand the changes that we are about to make. Now, if we don't make any changes, then the farmer won't have that problem, but he's not going to be very happy when he comes out of the ASC office if we don't make these changes.

Is that a possibility if we can get this done that we can at least have some time to inform farmers in our States of the changes and what their options are?

Mr. LYNG. We'll need some, but we also are up against planning dates.

Senator DOLE. I know.

Mr. LYNG. They are actually beginning to plant, as you know, Senator, in the Southern part of the Nation.

Senator DOLE. Some are getting ready to harvest, let alone plant.

Mr. LYNG. That's true.

Senator DOLE. The wheat States.

Mr. LYNG. Yes; that's true. I think we must get this settled. The Department of Agriculture, I am sure, will be cooperative in trying to make the signup as palatable and sensible as possible.

But there are farmers that are just standing at the door waiting for decisions to be made.

Senator DOLE. You are probably familiar with the package that is on the floor that deals with yields and underplanting—I think there are seven provisions, maybe more by now.

It's my understanding that the Department is at least neutral on the package; is that correct?

Mr. LYNG. Well, that's what I hear. I haven't been involved in that.

Senator DOLE. I think it's fair to say that OMB is neutral. Senator Harkin has been concerned—I think properly so—that if we are going to save $415 million, maybe we ought to figure out a way to put it in the farmer's pocket. I have asked my staff to go back and see how we get the savings. We are talking about commodities for the most part. But I haven't talked with John Gordley about it since I came back.

But, in any event, we would like to get that done this week. If you have any suggestions on how you could help the chairman, it would be appreciated.

Mr. LYNG. We will try to be as accommodating as we possibly can.

The CHAIRMAN. Very well. It's now about 16 minutes to 12, and we have a witness who has at least 10 minutes following the interrogation of the Secretary.

Let's go down the line with 3 minutes apiece, if that is satisfactory, and that will take us out about 12:15 or 12:20.

I tell you what, let's go to Judge Heflin and work our way up this time; is that all right?

Senator HEFLIN. The FmHA loan program and the regulations are causing considerable concern. Here's an example—this deals with a loan guarantee. The Production Credit Association agreed to arrange a guaranteed loan for Farmers Home Administration where the farmer had had a net income of $180,000 last year. However, the Farmers Home regulation prohibited the making of the loan, or the guarantee of the loan, because the farmer had six employees. Production Credit did not finance this year because all assets were reappraised and the land values had fallen so low that this farmer no longer meets the eligibility requirements of the PCA.

This is one of many problems that Alabama farmers and farmers over the country are experiencing with the Farmers Home guarantee program. In fact, there has been only one loan guaranty made by a bank in Alabama under the present regulations. I suppose—again, as has been pointed out, that somehow or other administra-

tively the program needs to be reviewed in order that it might be used by credit-starved industry.

There are all sorts of problems that are cropping up, whether it's a cash-flow of 4 years or whether it's various and sundry things. The regulations just are not designed right now for farmers who are in problem and who have a chance to come out of it, to be able to qualify and to be eligible. This six-employee situation is under some definition of a family farm. The man happens to have a situation of where he has made profit, he's got a cash-flow, but he can't qualify because of the fact that there is some regulation there.

So, again, this seems to me that the internal regulations of Farmers Home, in order to meet the problems that we have, need to be reviewed and perhaps reviewed by some independent body that you might appoint that is representative of farmers throughout the country.

So I urge you to look into that, as has been pointed out by other questions here.

Mr. LYNG. I made a commitment to Senator Cochran to look into that, and we will also look into your specific concerns and get back to you.

The CHAIRMAN. Very well. Senator Harkin?

Senator HARKIN. Thank you, Mr. Chairman. I will try to be quick in my question.

As a number of Senators have pointed out, there is a definite credit need out there right now. Banks in Iowa, Minnesota, places in the Midwest, are charging 12, 13, or 14 percent on short-term loans to farmers to get their crops in the ground.

Under section 1003 of the farm bill, the President has the authority to advance to a farmer when he signs up some, a portion of, or all of the loan that that farmer will be entitled to as soon as he signs up in the program.

What I have proposed—and I will be proposing again, although we have a problem with Gramm-Rudman in terms that a point of order would lie against, if we try to do it on the floor of the Senate or in Congress. But the President could do it; he could advance one-half, for example, of the CCC loan the farmer would be entitled to at the time the farmer signed up, let's say next week or the week after.

For the State of Iowa that would mean somewhere between $750 million and $1 billion in money that would be out there at 7¾ percent interest, rather than the money that that farmer is going to have to borrow at maybe 12, 13, or 14 percent.

Last week, when I met with the Iowa Bankers Association board of directors, they said this is what they really need out there, some credit out there at those lower rates of interest.

Mr. Lyng, those farmers are entitled to that loan as soon as they sign up. Now, they will get it in fiscal year 1987. I'm saying it would be better off for all of us, especially the farmers, if the President would just advance one-half of that loan right now at the time of signup, at 7¾ percent interest, and let the farmers have that money to get their crops in the ground.

I am going to ask you: Would you be in favor of that, or would you be opposed to it? And, if you are opposed to it, why? And, if

you are in favor of it, what can we do to get the President to do that?

Mr. LYNG. No; I wouldn't favor it.

Senator HARKIN. Why?

Mr. LYNG. Because in the 1986 crop, we are putting out these advanced deficiency payments.

Senator HARKIN. Sure, that's——

Mr. LYNG. And that, as you pointed out earlier, is a sizeable amount of money—the deficiency payments are large.

Senator HARKIN. It amounts to about $50 an acre in Iowa.

Mr. LYNG. Traditionally, loans have been made at the time the crop is harvested and the farmer could put his crop under a loan. But before he even has planted the crop, to be making loans on the commodity, seems to me to be a violation of my common sense as to the purpose of commodity loan programs.

Senator HARKIN. But you can insist that he have Federal crop insurance, you could have a credit-elsewhere test on that. As I said, he is entitled to get that thing anyway later on in fiscal year 1987, and I am just saying here is money that they could get at 7¾ percent; the Government will not lose 1-red cent on it—not 1-red cent.

Mr. LYNG. Well, it just is not the proper use of the loan program, it seems to me, of that authority.

Senator HARKIN. Dick, I know it's nontraditional, but, doggone it, these are not traditional times.

Mr. LYNG. At a hearing like this it would be much more pleasant for me to be able to agree with everyone—and I am sorry, but, to be honest with you, I cannot agree with that.

Senator HARKIN. Here is something that won't cost the Government a penny, but, boy, it sure would help.

The CHAIRMAN. Senator Melcher.

Senator HARKIN. Thank you, Mr. Chairman.

Senator MELCHER. Thank you, Mr. Chairman. You know, Mr. Secretary, you and I came to this town in the same year, and one thing we found out, I guess, is that to know where people are coming from saves a lot of time.

Now, I think I know where you are coming from, but I've got a series of points here and I am going to ask your indulgence. A mutual pact might save us time in the future, but it will take a little bit of time right now.

In my first round of questions you mentioned GATT and what the European Community might be doing right now in terms of dealing with Spain and perhaps Portugal on restricting some sorghum-corn imports from the United States into those countries that would be a violation of GATT.

We all know how long it takes to prove a violation of GATT. I think the record time was perhaps a year. That isn't very fast.

We have these targeted export enhancement programs that are going to be cut back in this package now pending on the floor that was specifically for meeting that kind of a situation.

The second point you made is that the loan rate reduction itself will move out exports from the United States. I am not going to quarrel with that, but it does get you onto a treadmill: You've a loan rate reduction this year, and you didn't move enough exports

so you need another loan rate reduction next year to try to move more exports in order to catch up.

I don't know where that leads us. It's a dangerous proposition in my view to depend on that as a way to correct our declining agricultural exports.

So might I turn to something a little more practical, and that is our regular customers, who have been buying whether it's wheat or whatever from us for years. They approach us every year, saying, "well, what are the terms this year, how many years can we repay the purchase and what are the interest rates?"

You will have a lot to do with that policy. You will have a lot to do with the policy of how we blend in donations and sales. Most donations are just given because the need is there, such as Ethiopia right now. We have given there quite generously in donations for famine relief in Ethiopia. Yet the purchases that they are making on wheat are from Canada and from Australia.

Since we are heavy donors, it would be reasonable to think that we might have a shot at making those sales—but we have not. The sales agreement between Australia and Ethiopia is already common knowledge, and, while it hasn't been announced by Canada, I am certain that the sale of wheat by Canada to Ethiopia will be announced very shortly. And we are out of it.

There is a third point along the same lines—and again, you will have something to do with it, as Secretary. Indeed, you had something to do with it previously when you were serving under Secretary Block—and that is section 416.

Section 416 availability has not been announced—I don't know whether you know that or not. But the commodities that would be available under 416 simply have not been announced yet. I suspect that when we unravel it all we are going to find that this mysterious, hidden committee—it's called the development coordinating committee—has probably simply not presented a list to the private voluntary organizations on what section 416 commodities would be available so they can make an application for a program in various countries.

Can you correct that?

Mr. LYNG. I don't know. It doesn't seem right to me that there shouldn't be a list. I'll have to look into it.

Senator MELCHER. It isn't right, and you can correct it. As Secretary—you can correct it your first day by simply publishing the list of what are the commodities that are available under the law, because they are going to be surplus to our domestic needs. The law is pretty simple.

I mention this because it leads up to only one question. You state accurately and correctly that without any doubt the highest priority and the most essential of goals, is to improve U.S. agricultural exports.

The question is this: How are you going to turn around the President? He is only one man, but if he is turned around, everybody in the administration is going to turn around. How are you going to turn around the President to look at how serious this situation is on loss of exports of American agricultural surplus commodities? How are you going to get this whole administration geared to start exporting them?

Mr. LYNG. I don't think it's going to be nearly as difficult as the question would imply. The President feels strongly about this, and I have talked to him about this, and I am sure that he feels as I do and as you do, that agricultural export recovery is a terribly important thing.

Senator MELCHER. Does the President even know the existence of such a committee as this development coordinating committee?

Mr. LYNG. I never heard of it, and I would wonder if the President has.

Senator MELCHER. That committee can scotch exports, and has, successfully scotched exports from this country for the past year or year and a half. I'm sure you have heard of it. What does Amstutz serve on?

Mr. LYNG. Dan Amstutz is Under Secretary for International Affairs and Commodity Programs.

Senator MELCHER. No, what does he serve on with State or with OMB?

Mr. LYNG. Well, there are any number of interagency committees that meet—and that's not improper. There is a reason why State or the National Security Council or AID or other agencies should be aware of these matters.

Senator MELCHER. This committee and the House Agriculture Committee agreed to put in this new farm bill a Special Advisor to the President to coordinate and advise the President on the possibilities of agricultural trade and agricultural food aid. He would be right there at the President's ear. That slot hasn't been filled yet. But it is to overcome this so-called development coordinating committee holding up sales of our surplus commodities that the Congress put that in the bill.

I know you have an opinion on this—and I am going to ask you what that is in a moment—but it was our opinion, Congress' opinion, to make sure that the President understood how vital it was to turn around this policy of actually blocking agricultural exports. We want this policy turned around and we want to emphasize the need to utilize, through every means possible under the law—whether it's terms and conditions, better interest rate, using blended credit, or what have you—to do all that we thought the Special Coordinator ought to be there on the job.

Can you just briefly tell me: Have you had some interest in this—I don't mean official interest—but I mean just as an ordinary person—an interest in discussing this matter with our trade ambassador, Clayton Yeutter?

Mr. LYNG. No; I haven't discussed it with Ambassador Yeutter. I don't know what is being considered at the White House on that issue at this point.

Senator MELCHER. You will have an interest in it?

Mr. LYNG. Obviously, if there is an assistant to the President for agriculture and food aid, the Secretary of Agriculture would have a strong abiding interest in it.

Senator MELCHER. Interest rates are very high. That is one of the reasons you can't get the cash-flow for an operator to look like he's creditworthy at all, and that is why some of them are being liquidated.

The Farmers Home Administration, as I understand it, has to use the market price Treasury pegs for selling their Treasury notes, and that blended price is around 10 percent.

Mr. LYNG. I think it's less than that, Senator, but I really don't know.

Senator MELCHER. Is it much less?

Mr. LYNG. I think it is.

Mr. DUNLOP. It's 10¼ for short term, Senator.

Senator MELCHER. I have introduced a bill that would direct that money be available at the rediscount rate of the Federal Reserve Board to agricultural borrowers, channeling them through the banks that make agricultural loans and through the Farm Credit System and through Farmers Home Administration. That would mean that Farmers Home Administration could take the rediscount rate—it's around 7½ percent and tack on 1 percent or so and let the money out to agricultural borrowers at that price.

Mr. LYNG. If that is what the legislation calls for, I presume so. You are getting me into an area, Senator, I have no expertise in.

Senator MELCHER. I guess the only question about that was the amount the Farmers Home would need to handle it.

Mr. LYNG. I am sure that would be true.

Senator MELCHER. My last point, Mr. Lyng, is on meat inspection. If the cutbacks in the personnel for meat inspection are such that it would be unworkable, are you in favor of a proposal to take the charges for meat inspection out of Treasury? This would be instead of the proposal to pass that cost directly on as a fee to the packinghouses and the poultry houses, where the poultry and meat are being slaughtered?

Mr. LYNG. That is a proposal in the President's budget.

Senator MELCHER. Therefore you are in favor of it?

Mr. LYNG. I will support it.

Senator MELCHER. Would you have advised him to do that, if he had asked you?

Mr. LYNG. I don't think that I should answer that.

Senator MELCHER. You don't think so?

Mr. LYNG. No.

Senator MELCHER. I think I know what your attitude on that is. We are going to have to know how practical this proposal is. I have always opposed it on the basis that if you have an inspection program, you shouldn't have the people you are inspecting paying the bill.

The CHAIRMAN. Senator Harkin, would you like some more time?

Senator HARKIN. Thank you, Mr. Chairman. On this export thing, this Food-for-Peace Program, the President set up a commission 2 years ago—Wayne Andrews from ABM was the head of it—a big commission set up to look at the Food-for-Peace Program, and they submitted their findings about 1 year ago.

The recommendation of the President's own commission was that the Food-for-Peace Program be doubled in the next 5 years, and in that report, if you look at that report, it shows how our Food-for-Peace Program in those countries where we have utilized it has really developed markets for us abroad. The commission recommended that we double it in 5 years.

Yet the bill that passed, that was signed into law by the President, just keeps the status quo—in fact, it's a decrease that is taking place in the account over the next 5 years in our Food-for-Peace Program.

I bring that to your attention and ask again that you redirect the President's attention to this. If I can find the opportunity some time this year to offer an amendment, or something, on the floor of the Senate, I will do so to try to implement the findings of the President's own commission.

I offered an amendment when the Agriculture Committee was meeting here to implement the commission's recommendations. The Department of Agriculture recommended, when they were asked here by this table—they said that they were not in favor of my amendment which would have implemented the findings, the suggestion, of that commission.

So here the commission that the President set up found one thing and said do something, the Department of Agriculture said no, we don't want to do it. So consequently the amendment lost.

Mr. LYNG. I am sure it's not that they didn't favor it, but it's a question of priorities and trying to live within the very difficult budget problem.

Senator HARKIN. Thank you, Mr. Chairman.

The CHAIRMAN. A few housekeeping duties. I have a letter here from the Western Brewers Association which will please you when you read it, advocating your confirmation, signed by Daryl Arnold, president. Without objection that letter will be introduced in the record right after the presentation of the distinguished Secretary.[1]

Also, Senator Dixon has asked me to file questions in writing on his behalf to you, which you can answer in writing.[1]

I have one question. Yesterday, a very fine Cuban-American from Florida came to see me—he was almost distraught. He came here when Castro took over in Cuba. He got in the dairy business—it's not an enormous business, but it's very important to him. He believes there is an obvious inequity in the calculation of the program base for a dairy producer. He would like to bid for participation in the whole-herd buyout. This producer bought his two partners' interest in the dairy herd in April of last year. The SCS is giving him only a 33⅓-percent credit for his one-third share of the partnership prior to that time, with the effect that his base, for purposes of bidding into the whole-herd buyout, is about one-half of what the actual production of the herd he now fully owns was during the base period.

Now, I decided to ask you if, in your judgment this is in accordance with the provisions of the 1985 farm bill?

Now, just speaking as chairman of this committee, the intent of the conferees on the farm bill was to tie the production base for the purposes of the whole-herd buyout to a dairy herd—to a dairy herd—regardless of whether changes in ownership, like dissolution of partnerships, took place.

Now, if you are prepared to comment on that at this time, fine; if not——

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[1] See p. 51 for the letter from Mr. Arnold and p. 46 for the written questions from Senator Dixon and Mr. Lyng's answers thereto.

Mr. LYNG. No, Mr. Chairman, I really would find that difficult, because it is a very complicated set of rules that they have adopted here, and I think they needed to be complicated because of the variety of ways in which bases were held.

But I will be happy to get back to you.

The CHAIRMAN. Well, I wish you would. Let me give you the narrative that I had prepared on it, and you can stick it in your pocket and have somebody get in touch with me, because I was deeply affected.

Mr. LYNG. I will do so.

The CHAIRMAN. I thank you very much. Now, we are going to let you go. I am going to give you a statement that is going to be read by Mr. Gerald Kopp of North Dakota. He represents, he says, the National Democratic Policy Committee, and he is an agriculture advisory committee member of the National Democratic Policy Committee and a candidate for U.S. Congress from North Dakota.

Frankly, I will say to him in all friendliness, I had to make a judgment about this, but I came down on the side of letting him have his say.

Mr. Secretary, you have been here awhile, as has your dear wife. We will let you go, and I will stay here and listen to Mr. Kopp.

Thank you very much.

Mr. LYNG. Thank you, Mr. Chairman.

[Question submitted by Chairman Helms to Mr. Lyng and answer thereto:]

Question. Mr. Secretary, I have been made aware of an apparent inequity in the calculation of the program base for a dairy producer from Florida who would like to bid for participation in the whole-herd buyout. The producer bought his two partners' interest in his dairy herd in April 1985. The ASCS is only giving him 33⅓ percent credit for his 1/3rd share of the partnership prior to that time, with the effect that his base, for purposes of bidding into the whole-herd buyout, is about one-half of what the actual production of the herd he now fully owns was during the base period. Mr. Secretary, is this in accordance with the provisions of the 1985 farm bill? It appears to me that the intent of the conferees on the farm bill was to tie the production base for purposes of the whole-herd buyout to a dairy herd—regardless of whether changes in ownership like dissolution of partnerships took place. Could you please comment on this?

Answer. While the dairy title of the Food Security Act of 1985 did not specifically address all possible situations, it does specify that a producer who began marketing within the 15-month period ending March 31, 1986 (i.e. on or after January 1, 1985) would not be eligible to enter into a contract unless the entire herd and facility was transferred to the producer by reason of a gift from, or the death of, a family member.

Therefore, an individual who purchased a farm and began marketing while during that period not be eligible to acquire base. Equity considerations apparently extend that concept to base acquisition during that period.

In addition, there are appeal processes available to producers to challenge USDA program implementation decisions.

[Question submitted by Senator Cochran to Mr. Lyng and answer thereto:]

Question. It has come to my attention that the regulations under the Dairy Termination program require that if dairy cows were bred to beef herds, the contracting entity must dispose of the resulting offspring.

Answer. I am aware of a situation of a family operation where the father has a dairy operation and the son a cross-breeding operation. Under unusual situations such as these, will ASCS treat these on a case-by-case basis rather than make a

blanket ruling requiring disposal of all offspring, including those of a cross-breeding operation?

Under regulations issued to county ASCS offices, prior to a producer submitting a bid, any offspring that are the result of cross-breeding and have not been used for milking will not be classified as dairy animals subject to the contract.

However, once a bid is accepted and the contract is in place, all female animals making up the dairy herd as of the date of the bid and any female offspring born to those dairy cattle on or after the date of the bid are subject to Dairy Termination Program disposal requirements.

Of course, appeal processes are available to producers to challenge USDA program implementation decisions.

[Questions submitted by Senator Zorinsky to Mr. Lyng and answers thereto:]

Question. According to many observers, the commodity program provisions of the Food Security Act of 1985 will result in a further reduction of farm income. In addition, the 1985 Act provides financially hard-pressed farmers and ranchers with easier access to the Food Stamp Program. Do you believe that this represents sound national policy, or would our resources be better expended in improving farm income so as to avoid further reliance upon our social welfare programs?

Answer. I feel strongly that the only sound national policy option in this respect is a return to a profitable agriculture sector. Of course, farmers and ranchers who are without means to meet the food needs of their families should have access to the Food Stamp Program, like other citizens.

Question. Would you agree that the overwhelming surpluses of commodities represent the foremost problem facing agriculture today?

Answer. Large crop surpluses do represent the foremost problem facing agriculture today. During the 1980's, major U.S. crop supplies have been excessive in every year except 1983, when the severe drought and the PIK program combined to sharply reduce supplies. Over that same period, farm prices and incomes were generally depressed. Again, the exception was the record farm income of calendar year 1984 following sharply reduced crop production in crop year 1983. Once again crop supplies are currently excessive with ending stocks of wheat, corn, rice, and cotton forecast to reach record levels by the end of the 1985/86 marketing year. As a result, current farm prices and income continue to be depressed. So, regardless of the reasons, large surpluses have and continue to be the greatest obstacle blocking farm prosperity.

Question. What actions do you propose to take to reduce the surpluses of commodities overhanging the market?

Answer. I believe the new farm bill provides the necessary tools to reduce the huge crop surpluses that currently overhang the market. The new farm bill redirects agriculture in the direction of market orientation and provides the flexibility necessary to make program adjustments in a time of rapidly changing domestic and world economies. We must allow it time to work. The reduction in loan rates will work over time to reduce production here and abroad. The lower U.S. loan rates and the resulting lower world prices should cause our competitors to share some of the supply adjustment necessary to bring world production in line with world demand. This should permit the United States to begin to recapture export market share over time. The effective freeze of acreage bases and crop yields cuts the link between direct Government payments and production. This will reduce the incentive to overproduce as a way to increase program payments. The conservation reserve will begin to idle excess, erodible acreage. Finally, the relatively high level of export credit provided in the new farm bill will allow larger quantities of U.S. commodities to be exported due to more competitive U.S. prices.

Question. How do you anticipate using the vast resources of the Department of Agriculture to alleviate the financial stress in the agricultural economy?

Answer. As you know, the Department of Agriculture has little control over the degree of financial stress in the farm sector. Over the past several years, FmHA has combined record levels of credit to producers with a policy of forebearance to lessen the degree of financial stress for many farmers. ARS has concentrated on cost-effectiveness in its research in order to help restore profitability to farming. FAS has placed more emphasis on foreign product promotion, especially for value-added producers. We will continue our efforts, but by far the greatest benefits to the farm sector will come from our combined efforts to effect sound macroeconomic policy. Foremost is deficit reduction, which will work to further reduce interest rates and

thus reduce farmers' number one production expense—interest charges. At the same time the declining dollar will work to increase U.S. exports. Tax reform is needed to stop the practice of those who use farming solely as a tax shelter to offset large off-farm incomes; and thus, add to excess production. These macroeconomic policy changes combined with the new market-oriented farm bill will set the stage for long-term prosperity in the farm sector.

Question. I have read your prepared statement, but would you state succinctly your prognosis for agriculture over the term of the current farm bill?

Answer. I believe the framework has been provided for returning long-term prosperity to the farm sector. Lower loan rates and the declining dollar should make the United States really competitive once again in export markets. But, it will take time to work off the huge surpluses currently confronting us. Crop prices will likely remain depressed in 1986 and into 1987. During this time, record expenditures will be incurred by the government to support farm income. As surpluses are worked off and exports continue to increase, farm income and prices should start to improve in 1987 and continue to improve over the remaining term of the farm bill.

Commodity supplemental food program

Question. Nebraska is one of thirteen States that operates a Commodity Supplemental Food Program for low-income pregnant women, infants, and young children, a program similar to WIC.

The Department is not providing timely funding for this program. As a result, in my State, significantly fewer participants are able to be served. Nebraska has a waiting list in Omaha and the Scottsbluff office has had to refer participants to another location.

Congress has provided the funds to carry out the program; yet the Department is not operating the program in an effective manner. Therefore, I would ask your cooperation and commitment in seeing that the States operating the CSF Program not be ignored and that the Department immediately provide them with the total amount of the annual grants they will receive and make quarterly disbursements of funds. Please let me have your intention in this regard.

Answer. As in other matters, I would be pleased to work with you to assure that the law is soundly administered, including the timely and equitable allocation of appropriation.

Conservation reserve

Question. How do you see the Conservation Reserve Program fitting into the mix of the annual commodity programs? Specifically, do you see the Conservation Reserve Program as a production adjustment tool, or as program to maximize reductions in erosion?

Answer. We view the CRP as primarily an erosion control program but one with important potential production adjustment benefits. For 1986, we will take out of production 5 million acres. The effect of this reduced production on prices of commodities may be minimal. However, if we achieve the goal of 45 million acres, its effect on production adjustment could be substantial with corresponding reductions in cost to CCC. We will have a better indication of the relationship of CRP to base crop reduction when the 1986 crop year signup is concluded.

Question. To what extent would the Conservation Reserve Program be hampered if Congress adopts legislation passed by the House deleting the authority for carrying out the program in 1986 with the funds of the Commodity Credit Corporation?

Answer. The President's budget for FY 1987 contemplates implementation of the CRP beginning with the signup for the crop year 1986 program in March and signup for the crop year 1987 program of the fourth quarter fiscal year 1986. The budget for the Commodity Credit Corporation (CCC) includes estimated obligations and outlays of $190 million in FY 1986 to meet the government's share of the costs of cover to be placed on the first 5 million acres entering the program. The budget further includes $550 million FY 1987 to meet the first year's rental payments on the initial 5 million acres, and to meet the government's share of the cover costs on an additional 10 million acres. The CRP contracts will be signed with program participants under which they will agree to remove specific lands from production for 10 years in exchange for a governmental commitment to pay annual rental payments. The contract, by reference, incorporates the regulations under which the CRP will be conducted. These regulations will stipulate that CCC obligations are "subject to the availability of funds."

With the House passed legislation, the appropriation act will necessarily have to include a specific provision for CRP funding for FY 1987. The effect in such a case depends on the specific amount of CCC funding provided. We would presume that

Congress would provide at least the necessary funding in 1987 and subsequent years to meet the government's obligations under contracts entered in prior years.

Potentially, the most serious problem is with the signup for the 1987 crop year. The Act provides that at least 10 million acres be enrolled for 1987. Based on current law, we had anticipated a summer 1986 signup for the 1987 crop year to give wheat farmers an opportunity to participate before decisions had to be made on planting wheat. If the House language prevails, we would be reluctant to begin signup for the 1987 crop year until appropriations were in hand. Also, the Act provides that not less than 10 million acres be accepted. If bids are received for substantially more than 10 million acres and the bids are favorable to CCC, they could not be accepted without further appropriations.

There is also the authority to make payments in the form of cash, in-kind, or commodity certificates, in any combination to be determined by the CCC. The proviso added by the House only affects CCC cash outlays and therefore would not affect the Department's authority to make contract payments with other forms of compensation.

Question. The first Conservation Reserve Program enrollment period is beginning this week before the proposed program regulations are published in the Federal Register. Will data from the first enrollment period be publicly available by mid-May to provide maximum information to the public prior to the expiration of the comment period on the regulations and prior to the beginning of the second enrollment period scheduled for this summer?

Answer. We anticipate that most of the contract data will be available by mid-May. However, if field work by SCS and FS has not been completed by May 1, the data will be incomplete. We expect that the available data will be representative of final data and fully reliable for future program decisions.

Question. Will the data on the Conservation Reserve Program include the following information: potential and actual erodibility of enrolled acres; estimated reduction in erosion; effect on off-site locations from reductions in erosion; effect on fish and wildlife from reductions in erosion; and the kinds of cover crops on enrolled land? If the Department does not plan to gather and analyze such information, please explain why not.

Answer. The data on the CRP will include the following:

1. Acres enrolled.
2. Annual payments.
3. Type of cover.
4. Acres of base reduction by commodity.
5. Potential or actual erodibility.
6. Estimated reduction in erosion.

The effect of off-site locations from the reduction in erosion and the effect on fish and wildlife from reduction in erosion will not be available. Measuring these effects is very expensive and requires extensive monitoring. A Departmental team is currently looking at ways to use existing models to estimate sediment reduction in the nation's waters as a result of CRP.

Sodbuster and swampbuster

Question. The Food Security Act of 1985 was approved December 23, 1985. The "sodbuster" and "swampbuster" provisions became effective as of that date. However, I understand that local Agricultural Stabilization and Conservation Service (ASCS) and Soil Conservation Service (SCS) offices in Nebraska and elsewhere have received little or no information or guidance on how to implement these two provisions. Will USDA issue interim sodbuster and swampbuster regulations to ASCS and SCS field offices before the final regulations are prepared? How do you expect these provisions to be effectively administered at the local level without guidance from Washington?

Section 1244 of the Food Security Act of 1985 requires USDA to issue sodbuster and swampbuster regulations within 180 days of enactment of P.L. 99-198. Will USDA issue these regulations by that date?

Answer. The staffs of the ASCS and SCS have been extremely busy attempting to issue interim rules and regulations and complete the necessary staff work to implement the Conservation Reserve Program in time for the March 3-14 signup. Attention is now turning to implementation of the "sodbuster" and "swampbuster" sections of the Food Security Act. Preliminary instructions to inform the public of the effective date of the provisions have been issued to the field. The department intends to issue draft rules and regulations on these provisions and provide guidance to field staffs in their implementation as soon as possible. The Act requires that the

rules and regulations be in place within 180 days of the time the President signed the legislation. We intend to meet the deadline.

Question. Section 1222(a)(1) of the 1985 Act would exempt wetland conversion from swampbuster penalties if conversion was "commenced" before the date of enactment. I am informed that in some critical wetlands areas, there were literally dozens—if not hundreds—of wetlands drainage permits or other similar applications filed in the weeks before the provision became law. In my judgment, the mere filing of applications for drainage or other permits before the date of enactment would not be sufficient to exempt conversion related to such applications. Does USDA intend to exempt future wetlands conversion where the only action taken before December 23, 1985, was the filing of a drainage permit or other similar application? How does USDA intend to define "commenced" for the purposes of the swampbuster provision?

Answer. The House-Senate Conference Report provides rather specific guidance on the issue of the interpretation of the word "commenced" in the swampbuster section of the Food Security Act. The Conference Report states:

"The Conferees intend that conversion of wetland is considered to be "commenced" when a person has obligated funds or begun actual modification of the wetland."

USDA will follow the guidance provided in the Conference Report in implementing this provision. It is clear from the Conference Report that simply acquiring a permit before the date of enactment of the legislation would not comply with the intent of the conference report.

Question. Section 1222(c) of the 1985 Act would exempt wetlands conversion "if the effect of such action, individually and in connection with all other similar actions authorized by the Secretary in the area, on the hydrological and biological aspect of wetland is minimal." How does USDA intend to define "minimal"? How will USDA administer this exemption?

Answer. We intend to define "minimal" based on the value of the wetland. An interagency committee is now in the process of developing the criteria to determine what constitutes "minimal" and appropriate procedures for administering this exemption.

Question. Section 1223 of the 1985 Act requires USDA to consult with the Department of the Interior when developing, implementing, and enforcing swampbuster exemptions. How will this consultation process work? Will there be consultation with local Department of the Interior officials in the affected area, as well as at the regional and national level? Will state natural resources officials in the affected area be consulted as well?

Answer. USDA is currently consulting with the Department of the Interior in the implementation of the swampbuster provision. Implementation task forces have been established with representatives of the Fish and Wildlife Service included on the Task Forces. We plan to consult with the Department of the Interior representatives as well as State Wildlife Agency representatives at the local level as the provision is implemented.

Conservation compliance

Question. How does USDA plan to define "highly erodible land" for purposes of the sodbuster and conservation compliance provisions in the 1985 farm bill? How many cropland acres will the conservation compliance apply to on a State-by-State basis?

Answer. The definition of "highly erodible" for sodbuster and conservation compliance provisions is a key policy issue to be developed in the rulemaking process. At this time we have not defined more specific criteria to fit the definition in the legislation.

Question. Section 1212(a)(2) of the 1985 Act exempts farmers from penalties for cultivating highly erodible land if they are "actively applying a conservation plan" and "shall have until January 1, 1985" to complete implementation of their plans. How does USDA intend to define "actively applying" a conservation system? Will USDA's definition require the actual expenditure of resources and measurable implementation of various conservation techniques beginning in 1990? Which conservation practices will be required to be implemented in 1990? Which by 1992? Which practices will not have to be implemented until 1995?

Answer. We anticipate the rules will define "actively applying" a conservation system if the farmer produces the crop using a combination of conservation practices that will control erosion as defined in the local SCS technical guide and approved by the local conservation district. In some cases this will require only good crop residue management while on the steeper more erosive fields may require ter-

races, etc. Farmers will be considered "actively applying a conservation plan" if as of January 1, 1990, they have a plan approved by the local conservation district that includes a schedule of when needed practices are to be installed and are on schedule. The schedule will have to show that the farmer will implement all needed practices by January 1, 1985.

Question. Approximately how many conservation plans must be commenced and completed between now and 1990 to comply with Section 1212 of the 1985 Act? How many staff years and funds will be required for SCS to develop these plans?

Answer. SCS estimates conservation plans will need to be developed on 30-50 million acres or updated between now and January 1, 1990, to help farmers comply with Section 1212 of the 1985 Act. We anticipate some farmers will be able to certify that they are producing their crops using an approved conservation system without a formal conservation plan. There will be those farmers who have already installed erosion control structures such as terrace systems and those who can control erosion just by good management of crop residues such as conservation tillage. Approximately 2,500 staff years and $93 million of technical assistance will be used to prepare and service additional conservation plans.

Question. Will conservation plans developed before 1980 be used to comply with Section 1212 of the 1985 Act? If so, how will relatively new soil conservation techniques, such as conservation tillage, be incorporated into plans developed before 1980? Will conservation plans completed before a "cut-off" year have to be redone to qualify for Section 1212? What would be the "cut-off" year?

Answer. Conservation plans developed prior to 1980 may be used to comply with Section 1212 of the 1985 Act. Many conservation district cooperators have plans they developed many years ago. As new techniques are developed or farming operations change, plans may be revised to reflect the latest technology and enterprise. Conservation tillage while new to some farmers has been practiced since the early 1960s by others. There is no "cut-off" year for conservation plans provided the plan has been or is being actively applied.

SCS technical centers

Question. I understand that the Department is preparing to consolidate at Ft. Worth, Texas, the four national technical centers of the Soil Conservation Service. I question the desirability of the proposal and would appreciate your furnishing me your assessment of this proposal. In particular, I would urge you to review the costs of such a consolidation.

Answer. The Soil Conservation Service is currently preparing a proposal to consolidate its four national technical centers in Ft. Worth, Texas. The consolidation of these centers is a continuation of USDA efforts to streamline activities while providing the highest level of administrative and technical support to our field forces. In total, there are about 600 people at the 4 locations. Roughly, one-half of those are now at Ft. Worth. The reason for the larger size at Ft. Worth is that several regional support functions have previously been consolidated at that location—cartographic services, training, and information. The action proposed would be the final step in that strategy to centralize all technical support functions. The ultimate center will be enlarged to the extent necessary to continue providing essentially the same services to state and field offices. There will, of course, be some economics of scale at the single center—we will not need to add 300 people to that location. The exact number has not been determined. Modern transportation and communication facilities make it possible to combine these centers into one. Also, by consolidating resources, we will be able to provide the highest quality state-of-the-art equipment at that center, and will be able to recruit the highest quality technical personnel because they will, in fact, have National responsibility rather than regional responsibility. The SCS will propose that we leave the soil survey laboratory and staff in Lincoln, Nebraska, and the snow survey and water forecasting staff in Portland, Oregon.

Naturally, SCS personnel located in these centers are concerned about their employment status. We will not RIF 300 people. Many will leave through normal attrition. Some will be relocated to Ft. Worth. Others will take the opportunity to retire early or find new jobs locally. SCS plans to offer a job to each displaced employee. An organization change of this scope cannot be done efficiently and without a loss in services if it is allowed to drag out over several years and accomplished through attrition. So, eventually, probably by the end of this year, there will be a few personnel who cannot be reassigned. We will, of course, keep them fully advised as to their rights and will make this process the least traumatic possible. The SCS has not submitted a detailed cost proposal yet, but I can assure you that we will analyze carefully the cost of consolidation.

Ethanol production

Question. At a time of surplus agricultural commodities and declining commodity prices, we need to establish new markets and uses for our Nation's agricultural production. The ethanol industry makes a significant contribution in this regard. In light of these circumstances, can the agricultural community look to you to provide leadership in the area of ethanol? If so, what particular means will you use to encourage the production and marketing of ethanol?

Answer. The role of USDA is one of analysis and examination. We are preparing an analysis of the economics of ethanol production and its ability to compete with other octane enhancers as lead is removed from gasoline. We are examining the relationship of ethanol production with commodity price support programs, farm income and impact on the Treasury. We expect delivery of this study by the end of the year. In addition, as required by Section 1774 of the 1985 Farm Bill, we are conducting a study of the cost effectiveness, economic benefits and feasibility of a Strategic Ethanol Reserve.

Since the mid-1970's the Department has invested about $40 million in alcohol fuels research and development in an effort to improve the technology and reduce the cost of production. We continue to fund research on alcohol fuels.

The Farmers Home Administration (FmHA) is continuing to maintain a loan guarantee program for the construction of fuel ethanol facilities. The Department of Energy's loan guarantee program expires June 30, 1986 and it is accepting no new applications; therefore, FmHA'S program is now the principal course of government funding assistance for ethanol facilities.

Beyond these activities, the Department of Agriculture believes that the future of the ethanol industry, like that of other industries, must rely on its performance in the marketplace. We believe that unencumbered competition in the market assures the most beneficial allocation of resources.

EEC restrictions on imports

Question. What actions does the Administration plan to take to counteract the recent move by the European Community to impose restrictions on imports of soybeans and grain to Spain and Portugal.

Answer. While the U.S. welcomes the accession of Spain and Portugal to the EC and has always been a strong supporter of their membership, we are deeply disappointed by the failure of the EC to comply with GATT rules and procedures during this process. In particular, we are disturbed by the implementation of certain measures in the agricultural sector on March 1, which will have a serious adverse effect on our trade. We have made clear, both to the EC and in the GATT, that we intend to defend our GATT rights on these products. We are engaged in urgent consultations with the EC on these problems.

With regard to imports of Spanish feedgrains, the EC has replaced tariffs that were bound in previous trade negotiations with much higher variable levies. Under GATT rules, they can do this only if they offer compensation. Their actions were taken in such a way as not to allow adequate time for negotiation of such compensation.

With regard to the quantitative restrictions on Portuguese imports of oilseeds and grains, the EC actions are simply inconsistent with GATT rules.

Unless we can resolve this issue quickly, we will have to decide on an appropriate response. Retaliatory withdrawals of concessions by the United States is one option we will have to consider. The United States has no intention of paying for the accession of Spain and Portugal to the EC.

[Questions submitted by Senator Leahy to Mr. Lyng and answers thereto:]

Question. What specifics would you take as Secretary of Agriculture to improve income for dairy producers?

Answer. I believe that the dairy title of the 1985 Farm Bill does a lot towards helping producers. The Milk Production Termination Program will pay producers to go out of business and reduce surplus production capacity. Mandated Class I price differentials, National Commission on Dairy policy and dairy export incentive program will all benefit dairy producers. In addition, lower loan rates for wheat and feedgrains will result in lower cost feed. Properly administered, these provisions will do much to help producers.

Question. With a disproportionate share of surplus milk production taking place in California—where milk producers are insulated from federal price support reduc-

tions under the California state order and assessments are treated as a cost-of-production—how can the federal milk price support system be altered to maintain responsible income for dairy producers in Vermont and other small states?

Answer. I believe there is some misconception of the California pricing system. It does have a quota plan for its Class I milk production. Surplus production over Class I use falls under the Federal price support program. The support price is currently favorable for dairy, particularly in California because of favorable climate and highly productive, efficient farmers.

It is interesting to note Annual Class I usage as a percent of total production in California is around 43 percent. Annual Class I usage in all Federal Orders combined is about 44 percent while annual Class I usage in the New York/New Jersey order is 42 percent. The average blend price received by farmers for 3.5% Grade A milk in California in 1983 was $12.93/cwt., $12.77/cwt. in 1984, and $11.97/cwt. in 1985. In comparison, the average Federal milk order blend prices for all order markets were $13.53/cwt. in 1983, $13.33/cwt. in 1984, and $12.61/cwt. in 1985.

Question. Your lobbying firm—Lyng & Lesher—represented Southern California dairy interests during the past year. I have no knowledge of the recent reorganization of the firm or its current clients, but it is of course conceivable that the firm will continue to represent California dairy interests. What specific steps are you taking to limit your future involvement with Lesher & Associates. Bill Lesher and Randall Russell?

Answer. I have totally severed all ties with Lyng & Lesher and on January 31, I sold my share of the firm. There is a complete understanding between myself and Lesher & Associates regarding future involvement as it pertains to Federal Ethics Rules.

I am not aware whether the dairy interests you mentioned still have an agreement with my former firm. To my knowledge the agreement ended with the completion of the Farm Bill.

Question. It is my understanding that California has a quota plan for its Class I milk production. Does the quota plan work to the benefit of producers and consumers in California? Have protests concerning the plan been widespread or frequent? Do you believe that a quota or base plan could protect farm income and limit government expense if such plans were instituted nationally or regionally?

Answer. Producers who hold a base receive the higher Class I price and benefit from the plan. However, new producers and existing producers who expand production and are not covered by quota receive less than base price or overbase milk marketed. Currently, about 15 percent of producers have no quota and do not receive the base price on all of their milk production—representing about 10 percent of total California Grade A milk supply.

The way the California plan is designed, consumers probably are not affected by the quota system any more than other consumers supplied under Federal milk marketing orders. There were some 500 hardship cases with complaints about base and quota allocations during the first 30 months of the system. However, with expansion of quota definition and other measures to equalize quota among producers, the number of cases has declined over time.

A national or regional quota or base plan could possibly be developed to curtail milk production, protect dairy farm income, and thus limit government expense. However, severe problems would arise if base plans are used to control milk supplies effectively:

(1) Capitalized base values (now at about $1,200 per cow);
(2) Increased milk production costs;
(3) Higher milk prices to consumers;
(4) Restricted reservice adjustments; and
(5) Further deterioration of our international competitive position in milk production.

Question. Congressman Jeffords has stated that he had an understanding with former Secretary Block that an assessment would be used to meet outlay reductions required under any sequestration order. Are you aware of any such agreement? Have you discussed this matter with Secretary Block? If you have the authority for imposing an assessment, would you use that authority to achieve deficit reductions? Do you have the authority to impose an assessment greater than the 40 cents per cwt. to be collected on milk marketed between April 1, 1986 and December 31, 1986?

Answer. I am not aware of any agreement by former Secretary Block nor have I discussed it with him. However, I have discussed this matter with several Members of Congress and staff.

As I understand, Gramm-Rudman provides only for reductions in spending authority to achieve the outlay reductions required by a sequester order, and it does not provide authority to increase revenues as a substitute for spending cuts.

No, I do not believe the Secretary would have discretion to impose a greater or lesser assessment on milk. The Food Security Act of 1985 specifies that the assessment *shall* be 40 cents per cwt. during April 1 through December 31, 1986 and 25 cents per cwt. during the first 9 months of 1987.

Question. The recent sequestration order imposes a 4.3 percent "across the board" reduction in programs not specifically protected under P.L. 99-177 (Gramm-Rudman). What program funding would you curtail and what programs would your eliminate in lieu of these sequestration reductions?

Answer. The Secretary has very little discretion in implementing a sequestration order reduction. The law exempts certain programs from the reduction i.e., Food Stamps, Child Nutrition, and WIC. (However, administrative funds for these are subject to the reduction.) Also, only indexed *increased* in the Wool and Mohair program and Special Milk programs are subject to sequestration. Virtually every other USDA program or project down to the level of detail described in the Budget Explanatory Notes must be cut by the uniform percentage amount ordered. P.L. 99-177 also prohibits us from eliminating a program in order to achieve the outlay reduction required by a sequester order. The Act also has special rules for implementing uniform reductions in CCC price support activities.

If the law permitted us to make selective deeper cuts in some programs while sharing others, then implementation of the sequester order would take on a different character.

Future sequester orders can be prevented if Congress enacts and the President signs legislation causing the budget deficit to meet the Gramm-Rudman-Hollings target levels. The President's FY 1987 budget proposal is designed to meet the deficit target of $144 billion in FY 1987. If Congress accepts the President's budget the sequester order for FY 1987 can be avoided. The FY 1987 budget protects USDA's high priority programs. Funds are provided to meet the requirements of the 1985 Farm Bill, including price and income support programs, the conservation reserve program, food assistance programs, agricultural research, and farm credit.

Question. The new Farm Bill, in Title XIV, includes a provision specifically authorizing research on alternative farming techniques—such as organic farming. Do you favor such research and will you request funding under the Agricultural Productivity Act for fiscal year 1987? Will you redirect any funding from discretionary funds available to the Secretary for a program specifically designed to facilitate and promote research on environmentally-sound farming practices, as contemplated by the various versions of Agricultural Productivity legislation introduced in Congress over the past few years?

Answer. I support research which will reduce agricultural production costs, thus increasing farm profitability. No funding is requested in the FY '87 budget for implementation of the Agricultural Productivity Act as the budget was prepared prior to enactment of the authorizing legislation. Redirections of any discretionary funds which may be available to the Secretary will have to be considered within the context of overall Departmental priorities.

I am advised that a current study by Iowa State University, which is being funded by USDA, reveals that $24.6 million is currently being expanded on research of special relevance to organic farming. More than half of this amount is direct USDA funding.

Question. The President's proposed budget for fiscal year 1987 includes a provision for user fees to cover the cost of meat and poultry inspection. This proposal has generated a good deal of controversy because many analysts believe that publicly funded meat and poultry inspection better serves the public interest—by assuring consumers of a wholesome product without any suspicion of any conflict of interest on the part of inspectors. What are your views on these user fees? If these user fees would be adopted, how can the public be certain that no conflict of interest on the part of inspectors would occur—inspectors who might be, in essence, paid by the companies they inspect?

Answer. The President's proposed budget for fiscal year 1987 includes a provision for user fees to cover the full cost of meat and poultry inspection. Consistent with the budget USDA will propose legislation to authorize such user fees. I understand the USDA user fees proposal will involve payments to a general public enterprise revolving fund to cover the cost of inspection, which will avoid any conflict of interest problem. Overtime inspection is already handled in this manner.

As a cabinet member, I will strongly support the President's budget in its entirety. Our rural economy is particularly sensitive to high real interest rates and to the

effects of currency exchange rates on agricultural exports and deficit spending exacerbates both. Continued movement toward a balanced federal budget is imperative for the prosperity of U.S. agriculture.

Question. In 1972, you testified before the Senate Select on Nutrition and Human Needs that the job of feeding the hungry of this nation was "substantially completed . . .The [hunger] gap is closed . . . there is little excuse today for any family in the United States to be without resources for sufficient food." (Senate Select Committee on Nutrition and Human Needs, Part 3B, hearing of June 22, 1972, p.660.)

In the following year, however, the Select Committee compiled a list of American counties in which the poverty rate was above 25 percent of the population but in which less than a third of the eligible population was receiving Federal food assistance. The Committee described these as "hunger counties," and found that there were 263 of these counties in the United States.

Do you believe that your 1972 statement still holds true today?

Answer. I certainly believe my 1972 statement is correct. Since that time, there has been a profound increase in the commitment of the Federal government to ensure that individuals and families have adequate resources to meet their food needs. The Food Stamp Program became a nationwide program implemented in all counties. Significant design changes were made to the program to increase access to benefits in the late seventies. The program now serves about 35 million citizens during the course of a year. Real benefit levels are higher than a decade ago. The Supplemental Feeding Program for Women, Infants and Children was implemented nationwide since 1972. Currently almost one-quarter of all babies born receive benefits from that program. It has grown over 50 percent in the last 4 years.

In addition, in 1981 the Federal government began distributing our inventories of surplus cheese, butter, non-fat dry milk, rice, and honey through the Temporary Emergency Food Assistance Program. Since its beginning TEFAP has distributed over 3 billion pounds of food worth 3.1 billion dollars. We estimate that over 30 million people are served by the program during the year.

In light of the substantial increases in both numbers and size of programs and the aggressive levels of funding requested even in these times of troubling deficits, I have no problem standing by my statement.

Further, I would alert the committee to several worrisome flaws in both the 1973 study and the recent Physician Task Force study which I believe has seriously misled the public. First, it is critical not to equate hunger with poverty or with a food stamp participation rate. Even if one believed that premise, however, the statistics in the report are poorly put together and meaningless. For example, one cannot combine annual poverty data and monthly program participation data and derive a meaningful rate of participation.

Question. To follow up on the Select Committee on Hunger's 1973 listing of 263 hunger counties, the Physicians Task Force on Hunger in American reported in January of this year that the number of hunger counties had grown to 2,494. The report focused on the 150 worst counties and found that these worst counties were spread across 24 states, and that these worst counties have a high concentration in the Midwest and North Central regions of the country: Iowa, Missouri, North Dakota, Illinois, Arkansas, South Dakota, Minnesota, Nebraska, Idaho and Montana are included in the list. (Physicians Task Force on Hunger in American, *Hunger Counties 1986*, Harvard University School of Public Health, January 1986, at 17, 16.)

The number of families given emergency food assistance by churches and private organizations increased 17 percent from 1984 to 1985, according to the Food Research and Action Center. 42.8 percent of the agencies surveyed reported turning people away for lack of food, 69 percent reported that more than half the families they served included children, and 89.8 percent indicated that a significant number of people asked for emergency food assistance because their Food Stamps were not sufficient. (Food Research and Action Center, Bitter Harvest II, Washington, D.C., December 1985.)

In a survey of 25 cities, the U.S. Conference of Mayors reported this year that the overall demand for emergency food assistance increased by 28 percent in 1985. The study stated that "Every city save one reported that the national economic recovery has not eased the local hunger problem." (U.S. Conference of Mayors, The Growth of Hunger, Homelessness and Poverty in American's Cities in 1985, Washington, D.C., January 1986, p.1.)

Mr. Lyng, do you have any reason to doubt the general accuracy of these studies?

What do you believe should be the appropriate response by the Department of Agriculture to this evidence of hunger in America?

Answer. I understand that the comparison of the 1973 "hunger county" list and the 1986 count is inappropriate because different methods were used to compile the

two lists. Had the 1973 methodology been used for the 1986 report, I am told the number of hunger counties would have declined by more than eight percent, rather than increasing almost tenfold. In addition, the measurement itself has serious flaws as I mentioned in response to the previous questions.

The other two reports are basically claims that an increase in hunger results because of an increase in food distribution. I am proud to have played a role in President Reagan's 1981 decision to distribute surplus foods to low-income Americans. I do not think that food assistance or requests for receipt of those foods should be used as a means of measuring hunger. By that logic, the more food USDA and charitable groups distribute, the more hunger there is.

We ought to be proud of our efforts to assist those in need. Clearly, every problem has not been solved. All personal hardship has not been alleviated. However, we have an unprecedented Federal food assistance effort that generally addresses the food assistance needs of low-income Americans. To it is added an impressive level of State and local food assistance from both governmental and charitable sources. With that augmentation, we have in this country an expansive food assistance effort. Though it has been improved in recent years, it certainly is not perfect.

We should continue to work with Congress and others to make improvements wherever possible.

Question. In 1981, the Administration proposed a number of changes in the Food Stamp program as part of its Fiscal 1982 Budget Revisions. The Congressional Budget Office found that eligibility for Food Stamps would be reduced more for smaller than for larger households, although smaller households include most of the elderly and disabled receiving Food Stamps. CBO continued on to say that households with school age children would lose more in benefits than most other groups, and that the Administration's school lunch proposal would affect those households with the lowest incomes as much or more than those with higher incomes. (Congressional Budget Office, An Analysis of President Reagan's Budget Revisions for Fiscal Year 1982, March 1981, p.A-78.)

Were you involved in formulating these proposals?

Did you agree with CBO's conclusions that these proposals would fall disproportionately on the elderly and disabled, households with school age children, and households with lower income?

Answer. The proposals you are referring to were designed by the Office of Management and Budget in the initial formulation of the revised FY 1982 budget. There were, of course, incorporated into the Administration's budget submission to the Congress and reflected by the Department's position with respect to the food stamp and school lunch budget proposals.

In working with Congress on the budget proposals for these programs, there was an evolutionary process that resulted in the changes that were passed by the Congress with the Administration's support that did not include the proposals you have referenced. It is worth noting that in a study conducted by the nonpartisan Urban Institute released in 1985, it was found that the fundamental structure of the food stamp program had not been altered by the changes made to the program by the 1981 and 1982 Omnibus Budget Reconciliation Acts. In addition, those most in need of program benefits were not adversely affected by the legislative changes.

Question. As you know, regulations to implement the Food Stamp provisions of the Food Security Act of 1985 are currently being drafted within the Department. In contrast to the practice in past years, the Administration is not seeking nongovernmental expertise into the drafting of regulations.

Do you believe that the Department should draw on all available expertise, whether they be low-income advocates or state administrators, in the drafting process?

Would you instruct your Department employees to consider and respond to suggestions that are made while regulations are being drafted?

Answer. Of course, USDA can benefit from the input of interested parties in drafting regulations. I am very pleased that since I became Deputy Secretary, a much more open approach has been taken to writing significant regulations. I would also be pleased to instruct Department employees to consider suggestions made by any responsible person or group in drafting those regulations. In addition, the Administrative Procedures Act provides for a notice and comment period in most rulemakings. It is my intention to assure that the requirements of that statute be met. I understand that meetings with interested parties at which detailed discussions are held about the drafting of regulations can raise significant legal issues. So, I would expect my staff to confer with legal counsel.

[Questions submitted by Senator Boren to Mr. Lyng and answers thereto:]

Question. What is the extent of your knowledge regarding the current policies of the REA in providing lien accommodations for generation and transmission facilities for non-government lenders?

Answer. REA considers requests for three basic types of lien accommodations for its generation and transmission borrowers:

Type 1—a pro rata sharing of security and legal remedies between REA and another lender;

Type 2—a pro rata sharing of security with legal remedies remaining in the hands of the primary lender;

Type 3—a waiver of REA's rights to property financed and/or acquired through outside financing (after-acquired property clause).

Question. Is this policy presently spelled out in writing? (It is not spelled out in "the law.")

Answer. These lien accommodations are spelled out in writing. However, the matter of applying one type of lien accommodation or another to a particular situation remains a matter of case-by-case negotiation. The unique nature of each request has precluded the possibility of developing a hard-and-fast policy for determining which lien accommodation should be applied in all cases.

Question. One of my constituents, KAMO Electric Cooperative, has a request pending for the granting of a lien accommodation in order that it may carry out its FERC license for the construction of a hydroelectric plant at the Kaw Dam near Ponca City, Okla. The Administrator of REA has not approved this request. This request does appear to satisfy existing policies and procedures. Can you explain why this project has not been acted upon?

Other cooperatives nationally are also stymied by the absence of written policy in this regard, e.g., Arkansas Electric Cooperative.

Answer. REA has studied the requests of both KAMO Electric Cooperative and Arkansas Electric Cooperative. At this time the economic feasibility of both projects appear questionable, due mainly to a surplus of power in each system and throughout the Southwest Power Pool. In fact, figures provided by Arkansas Electric show it having surplus power for the next 30 years. For these reasons, REA has been reluctant to approve either a Type 1 or Type 2 lien accommodation.

However, REA has indicated to both KAMO and Arkansas Electric that it would consider a Type 3 lien accommodation for their projects. This means that if either borrower can convince a private lender that their projects are economically viable, and can thereby receive outside financing without an REA loan guarantee commitment, REA would waive its property rights to the newly constructed facilities.

Question. The Governor of CFC (letter dated January 21, 1986) has sought clarification of these policies. He has received no reply.

Answer. REA is in daily contact with the Governor of CFC who is quite knowledgeable about REA's lien accommodation procedures. The Governor's letter of January 21, 1986 has been received by REA and REA is preparing its response to the Governor.

Question. There is a pressing need, because of a large backlog, to fill the position of General Counsel at the Stillwater, Oklahoma regional Farmers Home Administration office. Would you push for filling that position with a qualified person as soon as possible?

Answer. The Stillwater, Oklahoma "Pilot Office" of the USDA's Office of the General Counsel currently has two attorney vacancies. The Attorney-in-Charge resigned last year and the staff attorney resigned earlier this year. Subsequent to the resignation of the Attorney-in-Charge, two attorneys were selected to replace him. The first person selected changed his mind before getting on the job; the second one resigned after about two weeks in the office. The General Counsel's office has spent many months, last year and this, looking for a suitable replacement for the attorneys. I understand that a candidate has now been identified for the position of Attorney-in-Charge, but that he cannot be offered the position until his references are checked. It is my understanding that he will probably be offered the position—and within a week—unless it is felt that a stronger candidate can be found.

[Questions submitted by Senator Dixon to Mr. Lyng and answers thereto:]

Question. Knowing that the domestic ethanol industry has helped improve our trade imbalance by helping to reduce our importation of oil, what role do you envision for the USDA in developing the domestic ethanol industry?

Answer. The role of USDA is one of analysis and examination. We are preparing an analysis of the economics of ethanol production and its ability to compete with other octane enhancers as lead is removed from gasoline. We are examining the relationship of ethanol production with commodity price support programs, farm income and impact on the Treasury. We expect delivery of this study by the end of the year. In addition, as required by Section 1774 of the 1985 Farm Bill, we are conducting a study of the cost effectiveness, economic benefits and feasibility of a Strategic Ethanol Reserve.

Since the mid-1970's the Department has invested about $40 million in alcohol fuels research and development in an effort to improve the technology and reduce the cost of production. We continue to fund research on alcohol fuels.

The Farmers Home Administration (FmHA) is continuing to maintain a loan guarantee program for the construction of fuel ethanol facilities. The Department of Energy's loan guarantee program expires June 30, 1986 and it is accepting no new applications; therefore, FmHA's program is now the principal course of government funding assistance for ethanol facilities.

Beyond these activities, the Department of Agriculture believes that the future of the ethanol industry, like that of other industries, must rely on its performance in the marketplace. We believe that unencumbered competition in the market assures the most beneficial allocation of resources.

Question. Does the USDA believe it is fair to protect the domestic ethanol industry from imports of ethanol that are mixed with petroleum products for the express purpose of circumventing the $.60 duty?

Answer. The Department of Agriculture currently is participating with the United States Trade Representative, the Customs Service and other agencies in examining how best to address the issue of fuel ethanol imports which do not pay the 60-cents-per-gallon tariff. Only when this examination is completed do we expect to be able to assess the situation accurately and propose options to deal with it.

The CHAIRMAN. Now, Mr. Kopp, if you will come up, we will be glad to hear from you.

Senator HARKIN. Mr. Chairman?

The CHAIRMAN. Yes, sir.

Senator HARKIN. If I might inquire of Mr. Kopp before he starts his testimony, he is here on behalf of the National Democratic Policy Committee. I want to ask is that associated with the National Democratic Party?

Mr. KOPP. No; it is not.

Senator HARKIN. It is not a part of the National Democratic Party.

Mr. KOPP. No.

Senator HARKIN. You are not here on behalf of any arm or branch of the National Democratic Party?

Mr. KOPP. No; I am not.

Senator HARKIN. And you have not been instructed or otherwise asked to come here by anyone that has an official position in the National Democratic Party?

Mr. KOPP. No; I have not.

Senator HARKIN. I just want to make that clear for the record, Mr. Chairman, that Mr. Kopp is not here in any way associated with the National Democratic Party.

The CHAIRMAN. I appreciate your raising the question, because I was going to raise the same question.

Will you tell me something about the—who is the National Democratic Policy Committee, who is the head of it?

Mr. KOPP. The head of the National Democratic Policy Committee is Lyndon LaRouche, who was a candidate for U.S. President.

The CHAIRMAN. I see, very well. All right, we will be glad to hear from you. Sorry it has taken so long to get to this point in the program.

You may proceed. You understand you have 10 minutes.

STATEMENT OF GERALD KOPP, NATIONAL DEMOCRATIC POLICY COMMITTEE, NORTH DAKOTA

Mr. KOPP. I have submitted my written testimony, which I think is in your possession.

The CHAIRMAN. This will be included in the record.[1]

Mr. KOPP. And I did have some questions for Mr. Lyng, but since he's left now——

The CHAIRMAN. We would not have permitted that under any circumstances, because that would open up a Pandora's box. We will be delighted to hear you as a witness, but not to question. As a matter of fact, other Senators who are not members of the committee would not ask questions.

Mr. KOPP. I am advising against the confirmation of Richard Lyng as Secretary of Agriculture, because, based on his previous USDA service record and his performance to date, he has not shown himself disposed to take on the tasks of reversing the disastrous policies and moral and bureaucratic breakdown of the U.S. Department of Agriculture. The requirement that the next Agriculture Secretary must meet includes, in particular, the willingness to stop the domination of USDA policies by Cargill, Inc., and similar cartel interests, through the Office and channels of influence of Undersecretary of Agriculture Daniel Amstutz. Amstutz himself should be removed from his position on grounds of conflict of interest.

And I am not so sure that Mr. Lyng wouldn't, you know, have a conflict of interest in that same respect.

Daniel Amstutz visited North Dakota under the request and invitation of Senator Mark Andrews, and in an open forum in Bismarck he stated that he wanted to open up the export PIK program to include Russia. Now, it's well known that Russia is mobilizing for a war, mobilizing to dominate the world, and I feel that this is very much against American interests to subsidize Russia with cheap grain.

There was testimony earlier by the Senator from Iowa concerning the number of farmers going out of business, something like 100,000 farmers this year. Also, through the farm bill, the 1985 farm bill, there will be with the ACR, acreage set-aside, and conservation reserve program something like 300 million acres put out of production by the year 1990, or over the next 10 years.

Well, just taking the average size farm and dividing it into 300 million acres would give us some kind of a notion as to how many farmers would be put out of business in that time. And for every farmer or X amount of farmers that go out of business, there would

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[1] See p. 52 for the prepared statement of Mr. Kopp.

be so many small businesses and towns that would be going out of business, too.

I feel that we need to have a strong agriculture, a very productive agriculture, because my experience on the farm is, in order to increase income, I increase production; and in order to increase the income of the Nation, we need to increase the production of raw materials and pay fair prices at the raw material level which will enhance the income of agriculture, which will enable the farmers to pay off their debt and pay the usurious interest rates that are being charged by the banks.

That is the only way we can pay our loans, by reducing interest rates, which will enable us to apply more toward the principal.

I wonder if Mr. Lyng, whose idea of a stable number of farmers, would mean—it seems to me that the only way we can reach a stable agriculture, as Mr. Lyng was referring to, is by vast amounts, basically all the land in the United States, owned by landlords and then the farmers taking the position of peasants and farming the land to serve the landlords.

I appreciate this opportunity to testify, and it is my first time in Washington. And thank you for your time.

The CHAIRMAN. Well, we are glad to have you. Senator Melcher, do you have any questions?

Senator MELCHER. No; I really don't. I want to say to you, Mr. Kopp, that we are neighbors, as you know, and I have gone through your testimony and I appreciate your energy and your resourcefulness in getting here to testify directly on these matters.

Thank you very much.

The CHAIRMAN. Thank you very much. There being no further business to come before the committee, we stand in recess.

[Whereupon, at 12:19 p.m., the committee adjourned, subject to call of the Chair.]

COMMITTEE NOTE: March 5, 1986.—The nomination of Richard E. Lyng was reported to the Senate.

March 6, 1986.—The nominee was confirmed by the Senate.

APPENDIX

STATEMENT OF HON. PAULA HAWKINS, A U.S. SENATOR FROM FLORIDA

I am pleased to be here this morning for this hearing on the nomination of Richard Lyng to be Secretary of Agriculture. I fully support this nomination and urge swift approval by the Committee and the full Senate.

The President's choice of Dick Lyng to fill this important position comes at a time when U.S. agriculture continues to be under severe stress. Unfortunately for Dick Lyng, the current stressful conditions will not soon be alleviated.

Fortunately for American farmers, Dick Lyng will be in a position to counsel the President on policies to restore prosperity to U.S. agriculture. This morning I am outlining two critical areas on which I hope the new Secretary will concentrate.

I think most members of this Committee will agree that the first step in improving farmers' prosperity lies in the successful administration of the Food Security Act of 1985. That task will be significantly complicated for the new Secretary of Agriculture if Congress enacts the changes in the law that are now under consideration. However, some changes are needed in the farm bill and if legislation does pass, I am certain that Dick Lyng will work to insure its successful implementation.

The second area of major concern is that of agricultural credit. In this critical area I hope the new Secretary of Agriculture will join me in developing proposals to address the severe problems facing agricultural lenders and borrowers.

American Agriculture has accumulated an aggregate debt of over $200 billion. Some farm economists have claimed that up to $60 billion, some 30% of the total amount of farm debt, is at risk. Evidence to support this assertion is easily found. The most recent information available includes the following items.

The Farmers Home Administration, by definition the lender of last resort, has accumulated a loan portfolio of approximately $28 billion. The General Accounting Office issued a report, requested by the Chairman of this committee, that reveals that over half of FmHA debt is owed by farmers whose debts exceed 70% of their assets. That same report states that 20% of FmHA borrowers are technically insolvent. Finally, the report shows that these borrowers owe approximately 30% of outstanding FmHA farm loans.

The Farm Credit System recently announced its annual results for 1985. The System reported a loss of $2.7 billion, the largest annual loss ever reported by a U.S. financial institution. In addition to its loss, the Farm Credit System also posted $5.32 billion in non-accrual loans. This combined financial statement of the 37 Farm Credit System Banks was prepared by Price-Waterhouse in accordance with generally accepted accounting principles and received an unqualified audit opinion by the firm.

The general condition of other agricultural lenders is less well known. A recent report issued by the Congressional Research Service indicated several Federal Reserve Districts have attempted to collect data on the number of farmers borrowing from Federal Reserve Banks that have gone out of business. The most recent farm credit condition reports from Federal Reserve Districts surveying commercial bankers for such data show that, from October 1984 to March 1985, the percentage of farmers going out of business ranged from 2 to 5½ times the normal rate at that time during these fall and winter months. A recent poll by the American Bankers Association supports the Federal Reserve Districts' findings. ABA report indicated that 4.8% of agricultural producers went out of business in the past year, up from 3.6% in the June 1983–June 1984 period.

The reasons for these unhappy circumstances have been discussed many times by this Committee. Among the causes of today's troubles are excessive agricultural lending by the government during the high inflation seventies, huge price depressing surpluses of agricultural commodities, falling land values, and reduced agricultural exports resulting from the relatively strong dollar.

For some time now our farmers have been rocked by turbulent economic conditions beyond their control. Powerful market forces are at work. Unfortunately, when the market adjusts the costs can be very painful in human terms. Farmers have been feeling the hangover from the high inflation, easy credit, excess capacity, export happy binge of the seventies. But just as we have assisted third world oil exporting nations to adjust to the disintegration of OPEC and plummeting oil prices, we now need to assist U.S. Agriculture to adjust to plummeting commodity prices and falling land values.

For this reason, this Senator is calling for a general program of agricultural debt adjustment. If we can reschedule the debt of Mexico, bail out Chrysler, shore up Continential Illinois, and save New York City, we can certainly move to ease the transition that is underway in U.S. agriculture. I have taken a number of steps today to begin this process.

We need accurate information on the condition of commercial lenders. To secure this information I have written to the lending institution regulators—the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the Chairman of the Federal Reserve Board—asking for an assessment of the financial condition of the agricultural lenders under their purview.

We need to carefully examine the cost and practicality of proposals to adjust the agricultural debt burden. These measures include interest buydown, agricultural bankers banks, the use of net worth certificates, long term amortization of loan losses, tax exempt bonds to finance interest rate adjustments. I am calling on the Secretary of Treasury, the representatives of major commodity groups general farm organizations, agricultural lenders, and the lending institution regulators, for their assistance in analyzing each of these proposals for their potential to assist in a program of debt adjustment.

We need to fully utilize existing legal authority to assist with agricultural debt adjustment. I am calling on the Secretary of Agriculture, the Secretary of Treasury, and the lending institution regulators to cooperate in encouraging commercial lending institutions to participate in the interest rate reduction program provided for in the Food Security Act.

We need to prepare a way for those unable to stay in farming to transfer their talents into marketable jobs skills. I am calling on the Secretary of Agriculture and the Secretary of Labor to coordinate existing federal job training resources to provide job training, education, and counseling to those farm families unable to maintain their farming business.

I know this is a long list and I apologize for taking the Committee's time. I hope I have not put the Secretary designate on the spot. But I believe it is time to act on the issue of Farm Credit. We cannot afford to wait. And we must act together—not as individual interests or institutions.

Agriculture still provides over 20% of U.S. GNP. It is the major positive component of our trade balance. Translated into human terms, U.S. agriculture is hundreds of thousands of family farmers, the rural communities in which they live, and the millions of people who work in the transportation, processing, and marketing of agricultural products. I look forward to working with the new Secretary of Agriculture in fostering prosperity in agriculture.

STATEMENT OF HON. MITCH MCCONNELL, A U.S. SENATOR FROM KENTUCKY

I appreciate this opportunity to express my support for Richard Lyng to be the next Secretary of Agriculture. I am confident that this hearing is merely a formality and that Dick Lyng can be confirmed in short order. We desperately need an Agriculture Secretary.

I wholeheartedly support Dick Lyng. He is a dedicated public servant, who has served agriculture for his entire professional career. His most recent work in Washington has crossed the gamut of agriculture in this town and I haven't heard one single ill word from anybody about his performance in any position. Mr. Chairman, Dick Lyng is eminently qualified for this job.

And it's refreshing to have a Cabinet-level Secretary willing to go the extra mile. I'd like to relate for a moment a personal reflection. Mr. Lyng first visited my office some 3 weeks ago, shortly after he was nominated. I asked a number of questions regarding his position on the tobacco program in general and the tobacco reform proposal which is a part of the Reconciliation bill. He candidly admitted that his knowledge of tobacco was limited and that he'd be back in touch. To my delightful amazement, Dick not only learned the ins and outs of tobacco legislation, but came by my office for a second visit to hear my concerns, now that he knew a little more

about the subject matter. This is the kind of dedication and perseverance that we need in a Secretary of Agriculture.

As we move to an agriculture increasingly dependent on marketing, I think it is significant that the President has nominated someone who is a professional agribusinessman. The American farmer must reestablish his position in the world market and under Dick Lyng's leadership I'm confident we can move in that direction.

I look forward to working with him Mr. Chairman, as I'm sure many of my colleagues on the Committee are.

STATEMENT OF HON. ALAN J. DIXON, A U.S. SENATOR FROM ILLINOIS

Mr. Chairman, I am pleased to be here this morning as we meet to consider the nomination of Richard Lyng as Secretary of Agriculture.

I had the pleasure of working with Mr. Lyng when he was the Deputy Secretary of Agriculture from 1981 to 1984, and look forward to working closely with him again in his new position.

I am confident that Dick Lyng will make every effort to be an effective Secretary of Agriculture in these trying times when our farmers and rural communities are enduring a severe economic crisis.

Thank you, Mr. Chairman.

STATEMENT OF HON. JOHN WARNER, A U.S. SENATOR FROM VIRGINIA

It is indeed a great pleasure to present Mr. Richard E. Lyng to the Committee. Mr. Lyng has been nominated by President Reagan to serve as the Secretary of Agriculture.

I can honestly state that I know of no one better qualified to see agriculture through these troubled times than Dick Lyng.

Though he is a native Californian, he has demonstrated outstanding judgement by residency in Virginia while serving at the U.S. Department of Agriculture. We are very proud to have such a distinguished citizen.

Dick Lyng is a graduate of the University of Notre Dame and served in the U.S. Army during the Second World War.

After the War, he ran his family seed and bean business until 1967 when the Governor of California, Ronald Reagan, tapped him as Director of the California State Department of Agriculture.

He entered Federal service in 1969, when he was appointed Assistant Secretary of the United States Department of Agriculture, a position he held for four years. From 1973 until 1979, he was President of the American Meat Institute.

He was appointed Deputy Secretary of the USDA by President Reagan in 1981 and served in that position throughout the first Reagan term.

For the past year he has been out in private business, and we are indeed fortunate that he has agreed to return to lead the Department of Agriculture.

Dick Lyng is taking on a tough job during a time of great difficulty for the American farmer. However, with such a man at the helm, I am confident that all challenges will be well met. I urge his swift confirmation.

WESTERN GROWERS ASSOCIATION,
Newport Beach, CA, February 26, 1986.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, Washington, DC.

DEAR SENATOR HELMS: Western Growers Association, an organization that represents approximately one-half of the fresh fruit and vegetable production of the United States, strongly supports and endorses the nomination of Richard E. Lyng as Secretary of Agriculture.

Mr. Lyng has an in-depth understanding of all aspects of United States agriculture, and is an excellent administrator. Western Growers Association believes he will actively support the policies of the Administration if confirmed by the Senate, and will diligently attend to the complex problems facing our nation's farmers.

We urge you and the other members of the Senate Agriculture, Nutrition and Forestry Committee to fully support Mr. Lyng's nomination, and vote for his confirmation.

Sincerely,

DARYL ARNOLD, *President.*

AMERICAN COTTON SHIPPERS ASSOCIATION,
February 28, 1986.

Re nomination of Richard E. Lyng as Secretary of Agriculture.

Hon. JESSE A. HELMS,
Chairman, Agriculture, Nutrition, and Forestry Committee, Washington DC.

DEAR CHAIRMAN HELMS: The ACSA strongly endorses President Reagan's nomination of Richard E. Lyng for Secretary of Agriculture.

The Association's members and staff who have worked with him since he first joined the Department of Agriculture in 1969 all agree that he is ultimately fair and impartial in his consideration of issues placed before him. His extensive experience with agriculture as a seed producer, distributor and warehouseman in California, as California Commissioner of Agriculture, President of the American Meat Institute, and distinguished service as Assistant Secretary for Marketing Services and as Deputy Secretary of the U.S. Department of Agriculture makes him uniquely qualified to lead American Agriculture at this critical time. His knowledge of the issues through working with the Congress and his contacts with foreign officials these last few years will allow him to immediately begin the difficult tasks of restoring the health of U.S. agriculture.

From a personal point of view, as a parent with two children currently attending the University of Notre Dame, Mr. Lyng as a graduate of this esteemed institution is obviously possessed with undefined qualities of spirit and dedication fully justifying your approval of his nomination.

Sincerely,

EDUARDO C. ESTEVE, *President.*

STATEMENT OF GERALD KOPP, AGRICULTURE ADVISORY COMMITTEE, NATIONAL DEMOCRATIC POLICY COMMITTEE, NORTH DAKOTA

I am advising against the confirmation of Richard Lyng as Secretary of Agriculture, because, based on his previous USDA service record, and his performance to date, he has not shown himself disposed to take on the tasks of reversing the disastrous policies, and moral and bureaucratic breakdown of the U.S. Department of Agriculture. The requirement that the next agriculture secretary must meet includes, in particular, the willingness to stop the domination of USDA policies by Cargill, Inc., and similar cartel interests, through the office and channels of influence of Undersecretary of Agriculture Daniel Amstutz. Amstutz himself should be removed from his position on grounds of conflict of interest.

I will summarize here the real condition of our farm and food supply situation, and the USDA policies that need stopped and replaced.

Firstly, it is a myth that there is a "food surplus" or "overproduction." The truth is that the tonnage volume of world food trade is declining under the export and import conditionalities imposed on western economies by the International Monetary Fund. At the same time, food supply lines—including warehousing, shipping and processing, are being expanded from the West to the Soviet Union, in a de facto "New Yalta" arrangement permitting the Soviet Union to divert industrial capacity out of civilian production, and into a military build-up.

The international export houses brokering this worsening trade pattern—Cargill, Continental, Bunge, Andre, Louis Dreyfus, ADM, Unilever, W.R. Grace and others, are deliberately paying under-cost prices to U.S. farmers, and farmers of nations allied to the U.S., at the same time they are promoting the myth that even lower farm prices will improve "competitiveness."

In fact, the number of farmers going out, or forced out, of operation in the United States today, constitutes a threat to the national food security, and to the food security of the Western Alliance. The fact of good corn yields last year in the U.S., or temporary, regional food stock build-up, does not change this fact. The principle involved is that of the Biblical story of the 7 lean years and the 7 fat years. The U.S. is shutting down its fundamental capacity to produce, and at the same time, marginalizing its supplies of food-in-reserve. For example, U.S. beef output per capita

has now fallen, since the 1970s, back to the level of 1954. Our national livestock herd numbers are declining by the year.

The most obvious manifestation of the danger of lowering food supplies is the spread of AIDS, which is a disease of the immune system, whose growth and resistance depends on adequate nutrition. As world food production and trade decline—various endemic, or newly-mutated diseases, such as AIDS, can multiply to the point of pandemic and biological holocaust.

What is required is emergency measures to preserve U.S. farm infrastructure, and to restore production levels. A package of federal policies should be enacted that freezes and reschedules farm debt; stays all farm foreclosures; initiates new, low rate, production credit through the rural banking system; mandates parity prices and a foreign trade policy based on nation-to-nation treaty agreements to maintain parity price food trade to the mutual benefit of the trade partners.

This means a break with the policies of the International Monetary Fund. The current food trade war policies of the USDA and the State Department are having no good effect on farmers here or abroad, and instead, are only creating friction and dissension among NATO and other allied countries. In addition, the USDA "export enhancement" program is being run openly as a giveaway of U.S. farmers' food from the Commodities Credit Corp. to the private food cartel trading companies to guarantee their profits.

Apart from the direct question of the U.S food supply, the lack of proper emergency management of the U.S farm debt threatens to detonate an overall financial blow-out, as early as fall, 1986, if not sooner. The so-called Farm Credit System assistance plan passed last December, is a travesty of "assistance." The new FCS-Capital Corp. is in fact an all-powerful new agency mandated to decide where and how to shut down whole sections of our farmbelt's credit supply, and how to dispossess farmers and reduce food output.

The USDA food output reduction programs should all be replaced with expanded food output objectives—part of revitalizing our collapsing agricultural and industrial sectors, and building up the nutrition levels here and abroad.

The unprecedented "conservation reserve" and "conservation easement" measures recently enacted to remove millions of acres from food production, should be cancelled, and traditional soil improvement practices mandated instead. The USDA and its oversight committees in Congress have been almost totally dominated in recent years by private cartel-serving agencies, such as the Conservation Foundation, and World Wildlife Foundation, and other networks, whose stated goal is drastic population reduction, and drastic elimination of the very physical means of supporting populations with power, water and food supplies. This is un-American and evil.

Finally, there is plain, old, runaway incompetence at the USDA. The inability to implement the 1986 commodity programs is the obvious example. However, there are others. One of the top Beltsville USDA research departments is run by a fanatic vegetarian who recently ate so much fiber in his diet, he got psoriasis.

The USDA has to be cleaned up and restored to its original role—as envisioned by Sen. Morrill and President Abraham Lincoln: to promote the science and technology of feeding the nation's people, and to further productive agriculture around the globe.

[The following material pertaining to the nomination of Mr. Lyng was received by the committee:]

OFFICE OF GOVERNMENT ETHICS,
OFFICE OF PERSONNEL MANAGEMENT,
Washington, DC, February 27, 1986.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report [1] filed by Richard E. Lyng, who has been nominated by President Reagan for the position of Secretary of Agriculture.

We have reviewed the report and have also obtained advice from the Department of Agriculture concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. Attached to his report is a copy of a letter to this Office from Mr. Lyng outlining the steps he intends to take with regard to

[1] Retained in committee files.

his former firm and its clients. Based in these steps, we believe that Mr. Lyng is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

DAVID H. MARTIN,
Director.

Enclosure.

RICHARD LYNG,
N. Arlington, VA, February 21, 1986.

Hon. DAVID H. MARTIN,
Director, Office of Government Ethics, Washington, DC.

DEAR MR. MARTIN: The purpose of this letter is to explain the step which I intend to take in order to avoid any actual or apparent conflict of interest which may arise in connection with my nomination to serve as Secretary of Agriculture, as a result of my roles as President and a principal shareholder from February 1985 through January 1, 1986, in Lyng and Lesher, Inc., a Washington, D.C., firm providing agricultural advisory and lobbying services.

I have sold my interest in, and severed all relationships with, Lyng and Lesher, Inc., as of January 31, 1986. The firm, now reconstituted as Lesher and Associates, Inc., will continue to provide a broad range of advisory, consulting, and lobbying services to the agricultural industry. In order to avoid any actual or apparent conflict of interest which may arise during my tenure as Secretary of Agriculture, as a result of my past relationship with the firm, I pledge to recuse myself from participation in any matters or issues which may arise within the Department of Agriculture in which the firm is involved in a representational capacity on behalf of any clients for which the firm provided services regarding such matters or issues while I was associated with the firm.

I believe that this step will suffice to insure that no actual or apparent conflict of interest will arise during my service as Secretary of Agriculture, as a result of my immediate past involvement in Lyng and Lesher, Inc.

Sincerely,

RICHARD E. LYNG.

BIOGRAPHY

Richard E. Lyng is a native of California, born in San Francisco. After attending public schools in Modesto, California he attended the University of Notre Dame, graduating in 1940. During World War II Lyng spent two and one-half years in the South Pacific with the U.S. Army. He participated in the battles of Guadalcanal and Bougainville.

From 1949 to 1967 he was president of a family seed and bean production and processing company. He was Director of the California State Department of Agriculture in Sacramento from 1967 to 1969, appointed by the then Governor Ronald Reagan.

He was appointed Assistant Secretary of the U.S. Department of Agriculture in 1969 and served for four years. From 1973 to 1979, he was President of the American Meat Institute.

He was appointed Deputy Secretary of the U.S. Department of Agriculture in 1981 by President Reagan. He served in that position throughout the first Reagan term.

In March of 1984 he formed, with William Lesher, a Washington based agricultural consulting firm, Lyng and Lesher, Inc.

Lyng is married to Bethyl Ball. They have two daughters and four grandchildren, and live in Arlington, Virginia.

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